

City of Anniston, Alabama

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

September 30, 2003

**Hoyt W. Howell, Jr., Mayor
George K. Vick, Finance Director**

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INTRODUCTORY SECTION



CITY OF ANNISTON

P. O. BOX 2168
ANNISTON, ALABAMA 36202

August 31, 2004

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Anniston:

State law requires that all general-purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Anniston for the fiscal year ended September 30, 2003.

This report consists of management's representations concerning the finances of the City of Anniston. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Anniston has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Anniston's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Anniston's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Anniston's financial statements have been audited by Goodgame, Burleson & Cotton, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Anniston for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Anniston's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Anniston was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Anniston's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Anniston's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Anniston, incorporated in 1883, is located in the northeast part of Alabama, which is geographically centered between Birmingham, Alabama and Atlanta, Georgia. The region is experiencing significant economic growth. The City of Anniston currently occupies a land area of 46.70 square miles and serves a population of 24,509. The City of Anniston is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Anniston has operated under the council-manager form of government since 1953. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The mayor and council are elected on a non-partisan basis. The mayor is elected at-large and the four council members are elected by constituents of geographic wards.

The City of Anniston provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City of Anniston also is financially accountable for a legally separate school district, a library, museums and other legally separate operations, which are reported separately within the City of Anniston's financial statements. Additional information on all of these legally separate entities can be found within the financial statements.

The annual budget serves as the foundation for the City of Anniston's financial planning and control. All agencies and departments of the City of Anniston are required to submit requests for appropriation to the government's manager. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review 35 days prior to September 30. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Anniston's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Anniston operates.

Local Economy. The City of Anniston currently operates in a relatively stable economic environment. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include a military installation with several sub-contractors, and a major automobile manufacturer with related industries. A major medical facility that provides a large employment base of over 1,000 health care professionals and staff is within City limits. Additionally, Anniston is the seat of Calhoun County with a judicial complex about to be significantly enhanced by the addition of a regional federal court complex, adding to the professional community.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, and money market arrangements. The maturities of the investments range from one to three years, with an average maturity of 12 months. The average yield on investments was 2.0 percent. The federal funds rate has risen somewhat in recent months and this should enable enhanced return on City investments.

Risk management. The City of Anniston employs a comprehensive risk management system whereby risk factors are mitigated to the extent possible, and various insurance policies are in force for unforeseen circumstances and the welfare of City employees and their dependents. Premiums are paid to the Alabama Municipal Insurance Corporation for the general liability of the City. Additionally, all property insurance is written by the Philadelphia Insurance Company brokered by Banister-Downing (independent agent) of Anniston. Coverage for workman's compensation claims is through the Municipal Workers Compensation Fund (a subsidiary of the Alabama League of Municipalities). Finally, employee health insurance coverage is funded as incurred by the City with Blue Cross of Alabama handling the claims processing.

Pension and other post-employment benefits. There are two distinct defined benefit pension systems in place for City of Anniston employees. Sworn public safety employees participate in the Police and Firemen's Retirement Fund of the City of Anniston and must contribute ten percent of gross salary. This is matched by the City. This fund is enabled by Alabama statute. The remainder of full-time employees participate in the Retirement Systems of Alabama, with non-elective contributions of five percent of gross pay. In addition, all employees may elect to defer an additional portion of their salaries through a 457-b plan, currently utilizing the Retirement Systems of Alabama.

Health insurance coverage is made available to retirees through the City with the cost allocated based upon Council resolution.

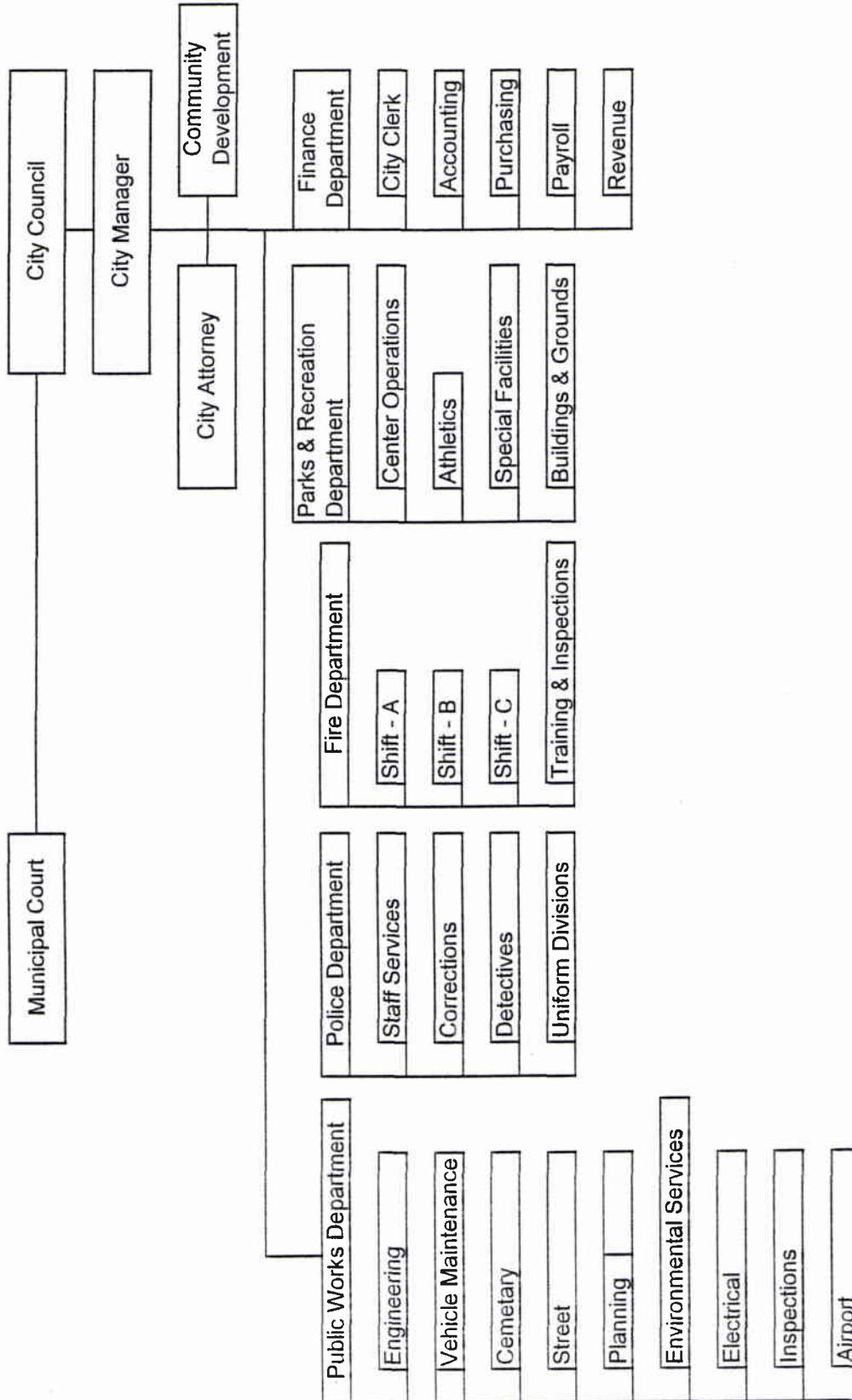
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Anniston's finances.

Respectfully submitted,

George K. Vick
Finance Director

ORGANIZATIONAL CHART



OFFICIALS OF THE CITY OF ANNISTON

City Council

Hoyt W. "Chip" Howell, Jr., Mayor
John Norton
Herbert Palmore
Reverend Benjamin Little
Jeff Fink

City Manager

Richard Whitehead

Finance Director

George K. Vick

Assistant Finance Director

Danny A. McCullars, CPA

Other City Officials

Building	Charles Hill, Superintendent
City Clerk	Alan Atkinson, City Clerk
Environmental Services	David Hill, Superintendent
Fire	William Fincher, Chief
Grounds	Chris Roberts, Superintendent
Municipal Court	Vaughn Stewart, Judge
Municipal Garage	Richard Weber, Superintendent
Planning	Wade Morefield, Planning Director
Police	John Dryden, Chief
Public Works	Dale Garrett, Director
Purchasing	Gary Barber, Purchasing Agent
Recreation	Tammy Chapman, Director
Streets	Phil Brown, Superintendent

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Anniston, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Anniston, as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar, as it relates to the amounts included for these entities, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

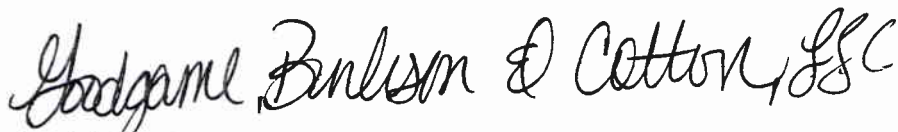
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Anniston as of September 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2003, on our consideration of the City of Anniston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis and budgetary comparison information on pages 53 through 55 and 72 through 85, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anniston's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Anniston. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Anniston, Alabama
July 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the City of Anniston's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and in the financial statements, which follow this narrative.

Financial Highlights

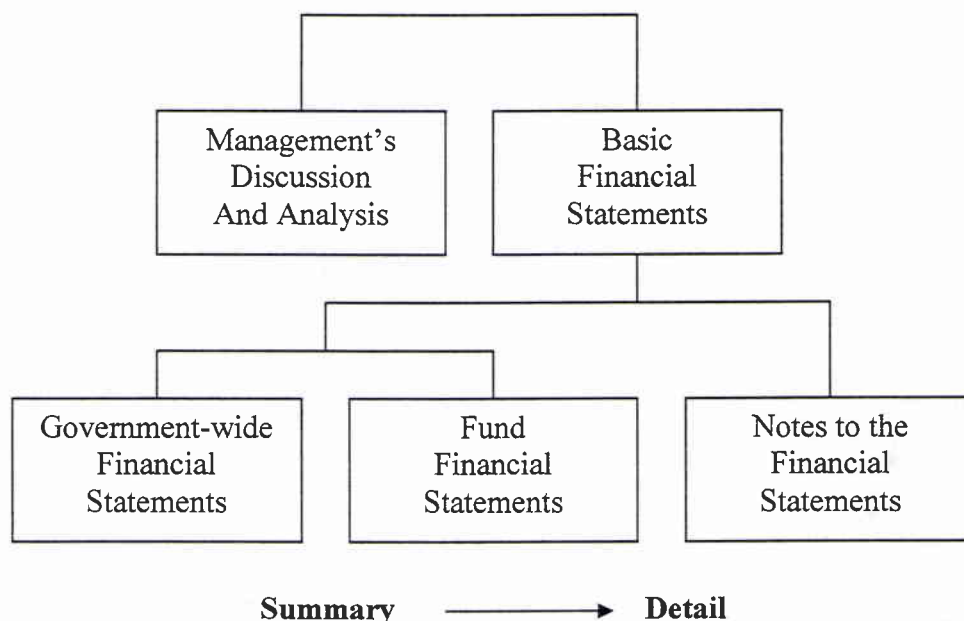
- The assets of the City of Anniston (primary government) exceeded its liabilities at the close of fiscal year 2003 by \$29.1 million. The assets of the City's component units exceeded their liabilities by \$28.5 million. Of the \$29.1 million in primary government net assets, \$9.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$19.3 million. The combined governmental funds fund balance decreased by \$116,000 in comparison with the prior year. Of the \$19.3 million in fund balance, \$10.7 million is available for spending at the government's discretion (unreserved fund balance).
- The general fund closed with a fund balance of \$10.7 million, down from \$13.1 million the prior year. The 2003 ending general fund balance represents 39.4 percent of total general fund expenditures, compared with the ending general fund balance amounting to 51.7 percent of total expenditures in 2002.
- On April 1, 2003 the City issued \$6.4 million in General Obligation Warrants for the purpose of refinancing Series 1994 and Series 1996 General Obligation Warrants. This refinancing recognized substantially lower interest rates. The City of Anniston's total debt principal outstanding increased \$129,000 from the prior year, which includes the financing of a golf course at the purchase price of \$675,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Anniston's basic financial statements. The basic financial statements consist of three components; 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements (see figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the

financial condition of the City of Anniston. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report (Figure 1)



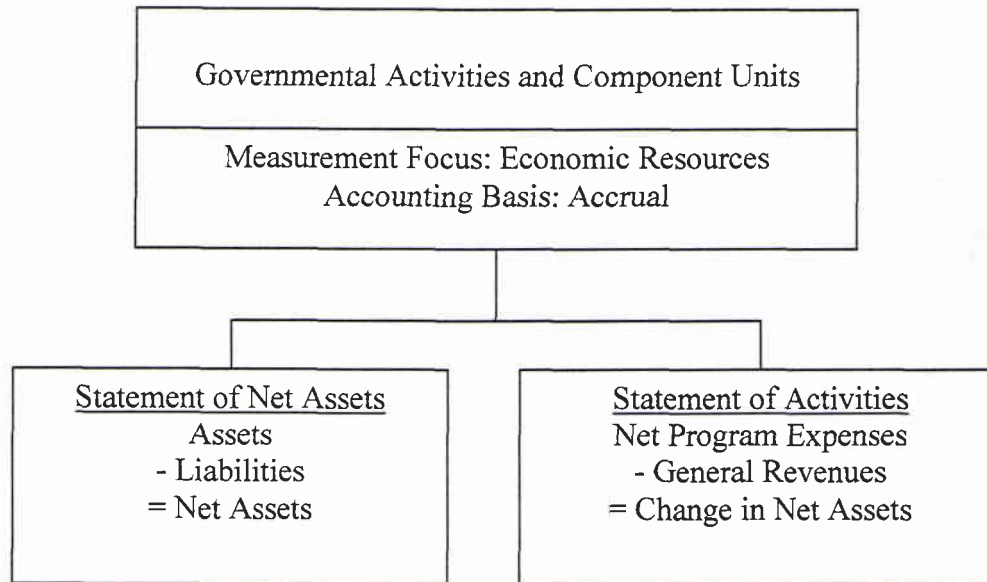
Government-wide financial statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

The government-wide financial statements of Anniston are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, parks and recreation, and general administration. Sales, use, and property taxes, charges for services, and state and federal grants finance most of these activities.
- *Discretely Presented Component units* – The City includes other legally separate entities in its report including the board of education, the museum complex, the public library, Spirit of Anniston, an industrial development board, and a school support entity. The city is financially accountable for these entities.

Government-wide Financial Statements



The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by federal or state law while some are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

The City uses two types of funds:

Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of the funds and (2) the balances left at year-end that are available for spending. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so,

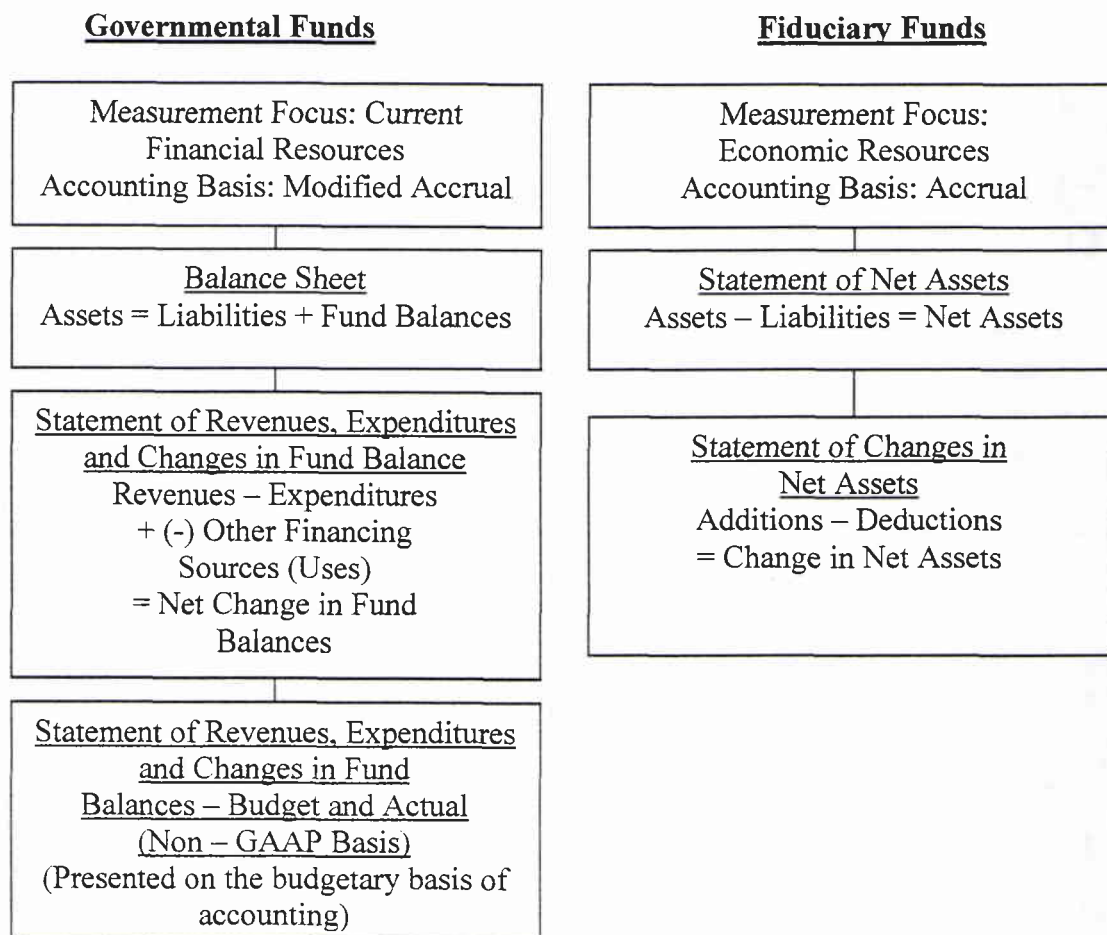
readers may better understand the long-term impact of the government's near-term financing decisions.

The City of Anniston adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary fund – The fiduciary fund statement reflects the financial relationship with the Anniston Police and Firefighters Retirement Fund which provides benefits exclusively for certain public safety employees. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

The following diagram presents the major features of the fund financial statements including the types of information contained therein.

Fund Financial Statements



Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that should be considered in the evaluation of the City's financial position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2003, are the first of a new format of reports for the City. The changes in the financial statements are in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34. Because of the new reporting model, comparative data for all facets of the report will not be presented. In future years, previous period government-wide data will be available for comparison.

Statement of Net Assets

	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and cash equivalents	\$17,136,698	\$3,718,669
Receivables net	2,530,961	2,591,105
Due from other funds	4,469,654	3,713,499
Inventories	28,002	64,448
Other Assets	570,608	123,850
Internal Assets	0	7,936,710
Net Capital Assets	<u>21,281,675</u>	<u>17,510,920</u>
Total assets	<u>\$46,017,598</u>	<u>\$35,659,201</u>

LIABILITIES

Accounts payable and accruals	1,881,224	1,858,947
Deferred revenue	762,148	3,093,092
Due to other funds	2,262,322	0
Accrued interest	109,552	0
Non-current liabilities:		
Bonds and warrants payable	1,026,615	0
Notes payable	237,369	180,000
Compensated absences	541,806	159,565
Due in more than one year		
Bonds and warrants payable	6,898,713	0
Notes payable	1,822,969	0
Compensated absences	1,363,012	1,869,637
Total liabilities	<u>16,905,730</u>	<u>7,161,241</u>

NET ASSETS

Invested in capital assets, net of debt	11,186,457	23,034,105
Restricted for:		
Capital Projects	1,219,394	2,102,771
Special Revenues	6,861,838	0
Unrestricted	<u>9,844,179</u>	<u>3,166,799</u>
Total net assets	<u>29,111,868</u>	<u>28,497,960</u>
Total Liabilities and Net Assets	<u>\$46,017,598</u>	<u>\$35,659,201</u>

The assets of the City of Anniston (primary government) exceeded its liabilities by \$29,111,868 as of September 30, 2003. However, the largest portion (39 percent) reflects the City's investment in non-infrastructure capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Anniston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Anniston's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional total of \$8,081,232 represents net assets that are subject to external or Council placed restrictions on how they may be used. The remaining balance of \$9,844,179 is unrestricted.

Changes in Net Assets

Functions/Projects	Program Revenues		Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Units
	<u>Expenses</u>			
Primary government:				
Governmental activities:				
General government	\$14,313,672	\$6,668,827	(5,341,778)	(6,233,937)
Public safety	10,085,272	353,675	(9,731,597)	
Public Works	4,948,718	822,364	(4,126,354)	
Culture and recreation	3,836,855	840,691	(2,996,164)	(782,246)
Principle/Interest on Debt	1,097,740		(1,097,740)	
Total	<u>\$34,282,257</u>	<u>\$6,668,827</u>	<u>(23,293,633)</u>	<u>(7,016,183)</u>
General Revenues:				
Taxes: Sales, Property, and other for general purposes			20,813,759	4,664,421
Miscellaneous income			62,141	505,739
General business licenses and permits			3,094,667	0
Grants and contributions not restricted to specific programs			258,932	433,006
Unrestricted investment earnings			222,233	85,666
Total Revenues			24,451,732	5,688,832
Change in net assets			1,158,099	(1,327,351)
Net asset - beginning			27,953,769	23,775,735
Adjustment for Capital Asset Valuation			0	6,049,576
Net asset - ending			\$29,111,868	\$28,497,960

Financial Analysis of the City's Funds

As noted earlier, the City of Anniston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Anniston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Anniston's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Anniston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10,682,649, compared with \$12,961,074 at the end of 2002. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 39.4 percent of total general fund expenditures at the end of 2003, compared with 51.3 percent at 9/30/2002. The significant decrease is attributable to the transfer to capital projects related to refurbishment of Noble Street.

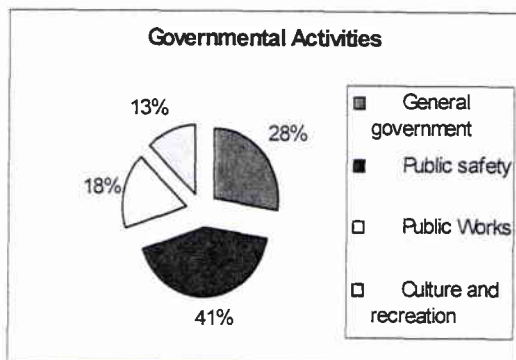
General Fund Budgetary Highlights

Revenues for the year were \$1.2 million below the budgeted amount. The three primary reasons for the short fall: sales and use taxes were short by \$397,000; business licenses and permits were short by \$430,000; and recreational fees fell short by \$344,000.

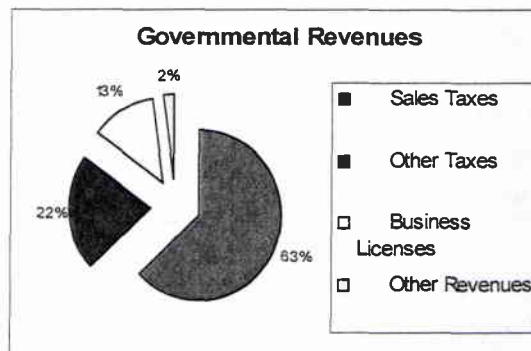
Even though the original budget was cognizant of economic conditions senior management closely monitored actual revenues. The potential shortfall was recognized early in the fiscal year and consequently departmental expenditures were held below their budgets and appropriated agency expenditures were kept to the original budget.

The City Council approved unbudgeted expenditures for revitalization of the Noble Street business area. Almost \$1.3 million was transferred to the Noble Street capital fund.

PROGRAM EXPENSES



SOURCES OF REVENUE



Capital Asset and Debt Administration

Capital Assets: The City of Anniston's investment in capital assets for its governmental activities as of September 30, 2003 totals \$ 21,281,675 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, facilities and vehicles. This capital asset total does not include infrastructure assets. The City is utilizing the compliance relief granted in GASB-34 for reporting of infrastructure including roads, bridges, drainage systems, tunnels, lighting systems, and sewer systems. Infrastructure assets must be retroactively included in the fiscal year that ends September 30, 2007.

	Governmental Activities
Land	\$5,957,778
Buildings and Improvements	13,030,406
Machinery and Equipment	2,293,491
Total	<u>\$21,281,675</u>

Additional information about the City of Anniston's fixed assets can be found in the notes to the financial statements.

Long-term Debt: As of September 30, 2003, the City of Anniston had bonded debt outstanding of \$ 7,810,000. These are entirely general obligation bonds. In addition, the City is participating in regional economic development that specifically funded certain infrastructure at Honda Manufacturing of Alabama's plant in Lincoln, AL. The amount outstanding for this commitment is \$1,282,384. Additionally, the City

has certain unsecured notes payable that total \$ 893,372, all for the purchase of certain real estate and equipment.

The total debt of the City increased \$ 129,000 during the year. This includes the addition of a note to Regions Bank for the purchase of a golf complex at the former Fort McClellan, AL, which the City has annexed.

During fiscal year 2003, the City re-financed certain bonds and realized significant net present value interest savings of \$ 390,930 during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fragile condition of the National Economy with the ongoing conflict in the Middle East and the concern for terrorism continues to create instability for both state and local economies.

FY 2004 revenues are budgeted to be only slightly higher than FY 2002's audited revenues. The budgets and activities of the City's departments and its appropriations have been held to level funding.

The City Council has begun to move forward on the Noble Street Project with a preliminary estimated cost of \$2.1 million. While \$1.3 million has already been transferred to a capital fund it is estimated that the project will cost the General Fund surplus \$800,000. Additionally, it appears that Council will begin to move forward with the Youth Sports Complex. Again some funds have been set aside for the project, but it is estimated that it will cost General Fund surplus over \$750,000.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

City of Anniston

September 30, 2003

	Primary Government		
	Governmental		Component
	Activities	Total	Units
ASSETS			
Cash, equity in pooled cash	\$ 17,136,698	\$ 17,136,698	\$ 3,718,669
Receivables net	2,530,961	2,530,961	2,591,105
Due from other funds	4,469,654	4,469,654	3,713,499
Inventories	28,002	28,002	64,448
Other assets	570,608	570,608	123,850
Internal assets	-	-	7,936,710
Net capital assets	21,281,675	21,281,675	17,510,920
Total Assets	\$ 46,017,598	\$ 46,017,598	\$ 35,659,201
LIABILITIES			
Accounts payable and accruals	\$ 1,881,224	\$ 1,881,224	\$ 1,858,947
Deferred revenue	762,148	762,148	3,093,092
Due to other funds	2,262,322	2,262,322	-
Accrued interest	109,552	109,552	-
Noncurrent liabilities:			
Due within one year			
Bonds and warrants payable	1,026,615	1,026,615	-
Notes payable	237,369	237,369	180,000
Compensated absences	541,806	541,806	159,565
Due in more than one year:			
Bonds and warrants payable	6,898,713	6,898,713	-
Notes payable	1,822,969	1,822,969	-
Compensated absences	1,363,012	1,363,012	1,869,637
Total Liabilities	16,905,730	16,905,730	7,161,241
NET ASSETS			
Invested in capital assets, net of debt	11,186,457	11,186,457	23,034,105
Restricted for:			
Capital projects	1,219,394	1,219,394	2,102,771
Special revenues	6,861,838	6,861,838	-
Unrestricted	9,844,179	9,844,179	3,166,799
Total Net Assets	29,111,868	29,111,868	28,497,960
Total Liabilities and Net Assets	\$ 46,017,598	\$ 46,017,598	\$ 35,659,201

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES

For the year ended
September 30, 2003

City of Anniston

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Activities:					Total
Governmental:	\$ 3,722,411	\$ 2,106,067	\$ 6,668,827	\$ -	\$ 5,052,483
Public protection	-	-	-	-	-
Police	5,787,275	353,675	-	-	(5,433,600)
Fire	3,679,559	-	-	-	(3,679,559)
Other	618,438	-	-	-	(618,438)
Public works	4,948,718	822,364	-	-	(4,126,354)
Recreational	3,836,855	840,691	-	-	(2,996,164)
Nondepartmental	3,497,912	-	-	-	(3,497,912)
Other boards and agencies	5,759,007	-	-	-	(5,759,007)
Capital	1,334,342	-	-	197,000	(1,137,342)
Interest and fiscal charges	555,039	-	-	-	(555,039)
Principal and miscellaneous	542,701	-	-	-	(542,701)
Total Governmental Activities	34,282,257	4,122,797	6,668,827	197,000	(23,293,633)
Total City	34,282,257	4,122,797	6,668,827	197,000	(23,293,633)
General Revenues:					
Taxes:					
Sales, property, other for general purposes					20,813,759
General business licenses and permits					3,094,667
Other general state shared revenues					258,932
Miscellaneous income					62,141
Bond and loan proceeds					-
Interest income					222,233
Total General Revenues					24,451,732
Change in Net Assets					1,158,099
Net Assets, Beginning of Year					27,953,769
Net Assets, End of Year					\$ 29,111,868

The accompanying notes are an integral part of these financial statements.

Governmental Funds
BALANCE SHEET

City of Anniston

September 30, 2003

	General Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, equity in pooled cash and investments	\$ 10,042,559	\$ -	\$ 7,094,139	\$ 17,136,698
Receivables, net	1,878,118	-	652,843	2,530,961
Due from other funds	1,216,158	1,288,930	1,046,165	3,551,253
Due from other Governments	-	197,000	2,010,331	2,207,331
Inventories	28,002	-	-	28,002
Other assets	850	-	569,758	570,608
Total Assets	\$ 13,165,687	\$ 1,485,930	\$ 11,373,236	\$ 26,024,853
LIABILITIES				
Accounts payable and accrued liabilities	\$ 846,617	\$ 7,923	\$ 1,026,684	\$ 1,881,224
Deferred revenue	53,051	-	709,097	762,148
Due to other funds	1,106,260	258,613	2,186,379	3,551,252
Compensated absences	477,110	-	64,696	541,806
Total Liabilities	2,483,038	266,536	3,986,856	6,736,430
FUND BALANCES				
Reserved for:				
Special revenue funds	-	-	6,861,838	6,861,838
Future capital projects	-	1,219,394	-	1,219,394
Unreserved, reported in:				
General funds	10,682,649	-	-	10,682,649
Capital projects funds	-	-	-	-
Debt service funds	-	-	96	96
Special revenue funds	-	-	-	-
Anniston Museum fund	-	-	524,446	524,446
Total Fund Balances	10,682,649	1,219,394	7,386,380	19,288,423
Total Liabilities and Fund Balances	\$ 13,165,687	\$ 1,485,930	\$ 11,373,236	\$ 26,024,853

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

City of Anniston	For the year ended September 30, 2003
Total fund balances for governmental funds	\$ 19,288,423
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Governmental capital assets	\$ 36,598,756
Less: Accumulated depreciation	15,317,081
Total Capital Assets (Note 8)	<u>21,281,675</u>
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets.	
Accrued interest	(109,552)
Bonds and warrants payable	(7,925,328)
Notes payable	(2,060,338)
Compensated absences	(1,363,012)
	<u>(11,458,230)</u>
Net assets of governmental activities	<u>\$ 29,111,868</u>

The accompanying notes are an integral part of these financial statements.

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston	For the year ended September 30, 2003			
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 20,813,759	\$ -	\$ -	\$ 20,813,759
Licenses and permits	3,094,667	-	-	3,094,667
Charges for services	2,016,730	-	2,106,067	4,122,797
State and federal grants	-	197,000	3,683,153	3,880,153
Interest	222,233	-	-	222,233
Other	321,073	-	2,435,954	2,757,027
Appropriations	-	-	549,720	549,720
Total Revenues	<u>26,468,462</u>	<u>197,000</u>	<u>8,774,894</u>	<u>35,440,356</u>
Expenditures				
General government	1,140,291	140,974	2,441,146	3,722,411
Public safety	8,838,167	-	1,247,105	10,085,272
Public works	4,948,718	-	-	4,948,718
Recreation	3,836,855	-	-	3,836,855
Other boards and agencies	3,126,112	-	2,632,895	5,759,007
Nondepartmental	3,497,912	-	-	3,497,912
Capital Expenditures	1,739,299	930,739	-	2,670,038
Debt Service				
Principal	-	-	524,826	524,826
Miscellaneous	-	-	17,875	17,875
Interest and fees	-	-	555,039	555,039
Total Expenditures	<u>27,127,354</u>	<u>1,071,713</u>	<u>7,418,886</u>	<u>35,617,953</u>
Excess Revenues over (under) Expenditures	(658,892)	(874,713)	1,356,008	(177,597)
Other financing sources (uses)				
Operating transfers in	1,789,927	2,094,107	446,193	4,330,227
Operating transfers out	(3,510,954)	-	(819,273)	(4,330,227)
Total Other Financing Sources (Uses)	<u>(1,721,027)</u>	<u>2,094,107</u>	<u>(373,080)</u>	<u>-</u>
Net change in fund balance	(2,379,919)	1,219,394	982,928	(177,597)
Fund Balance, Beginning of Year	13,062,568	-	6,759,391	19,821,959
Prior Period Adjustment	-	-	(355,939)	(355,939)
Fund Balance, End of Year	<u>\$ 10,682,649</u>	<u>\$ 1,219,394</u>	<u>\$ 7,386,380</u>	<u>\$ 19,288,423</u>

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

City of Anniston	September 30, 2003
Net change in fund balances total governmental funds	\$ (177,597)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.	
Expenditures for capital assets	\$ 2,670,038
Less: Current year depreciation	1,335,696
	<u>1,334,342</u>
Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Net Change in Long-Term Debt from Bond Proceeds, payment of principal, and refunding of debt	376,131
Some expenses reported in the statement of activities do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in long term compensated absences	58,199
Loss on disposal of fixed assets	(432,976)
	<u>(374,777)</u>
Change in net assets of governmental activities	<u>\$ 1,158,099</u>

Fiduciary Funds
STATEMENT OF FIDUCIARY NET ASSETS

City of Anniston

September 30, 2003

ASSETS

Investments, at Fair Value:	
U.S. Government Obligations and Corporate Bonds	\$ 11,460,728
Equity Securities	<u>9,822,428</u>
	21,283,156
Cash and Cash Equivalents	<u>1,397,778</u>
Total Assets	\$ <u>22,680,934</u>

LIABILITIES

Liabilities	\$ <u>-</u>
Total Liabilities	<u>-</u>
Net Assets held in trust for retirement benefits	\$ <u>22,680,934</u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

City of Anniston

September 30, 2003

ADDITIONS TO NET ASSETS

Investment Income:

Net Appreciation in Fair Value of Investments	\$ 1,883,923
Interest	646,211
Dividends	127,952
	<u>2,658,086</u>
Less: Investment Expenses	(115,004)
	<u>2,543,082</u>

Contributions

Employer	656,790
Employees	656,790
Public Utilities	319,261
	<u>1,632,841</u>

Total Additons to Net Assets

4,175,923

DEDUCTIONS FROM NET ASSETS

Benefits Paid Directly to Participants	2,545,898
Administrative Expenses	35,546

Total Deductions From Net Assets

2,581,444

Net Increase 1,594,479

Net Assets Held in trust for retirement benefits

Beginning of Year	21,086,455
End of Year	<u>\$ 22,680,934</u>

The accompanying notes are an integral part of these financial statements.

Component Units
STATEMENT OF NET ASSETS

City of Anniston

September 30, 2003

	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board
ASSETS			
Cash and Temporary Investments	\$ 2,944,343	\$ 166,200	\$ 411,920
Inventories	53,425	6,870	-
Other assets	120,362	2,119	-
Receivables	2,580,629	9,726	-
Receivables from other government	3,713,499	-	-
Collections	-	-	-
Capital assets (net)	16,644,817	267,135	-
Total Assets	\$ 26,057,075	\$ 452,050	\$ 411,920
LIABILITIES			
Accounts payable and accruals	\$ 1,823,084	\$ 14,246	\$ -
Deferred revenue	3,093,092	-	-
Due within one year			-
Compensated absences	157,783	-	-
Note payable	-	-	-
Due after one year			
Compensated absences	1,842,217	27,420	-
Note payable	-	-	-
Total Liabilities	6,916,176	41,666	-
NET ASSETS			
Invested in Capital Assets	14,644,817	267,135	-
Restricted	2,009,454	70,609	21,369
Unrestricted	2,486,628	72,640	390,551
Total Net Assets	19,140,899	410,384	411,920
Total Liabilities and Net Assets	\$ 26,057,075	\$ 452,050	\$ 411,920

Component Units

**STATEMENT OF NET ASSETS
(CONTINUED)**

City of Anniston

September 30, 2003

	Farley L. Berman Foundation Inc.	Anniston City Schools Foundation	Spirit of Anniston	Total
ASSETS				
Cash and temporary investments	\$ 104,901	\$ 85,477	\$ 5,828	\$ 3,718,669
Inventories	4,153	-	-	64,448
Other assets	1,369	-	-	123,850
Receivables	750	-	-	2,591,105
Receivables from other government	-	-	-	3,713,499
Collections	7,936,710	-	-	7,936,710
Capital assets (net)	<u>185,443</u>	<u>3,586</u>	<u>409,939</u>	<u>17,510,920</u>
Total Assets	<u>\$ 8,233,326</u>	<u>\$ 89,063</u>	<u>\$ 415,767</u>	<u>\$ 35,659,201</u>
LIABILITIES				
Accounts payable and accruals	\$ 7,275	\$ -	\$ 14,342	\$ 1,858,947
Deferred revenue	-	-	-	3,093,092
Due within one year			-	-
Compensated absences	1,782	-	-	159,565
Note payable	-	-	180,000	180,000
Due after one year				
Compensated absences	-	-	-	1,869,637
Note payable	-	-	-	-
Total Liabilities	<u>9,057</u>	<u>-</u>	<u>194,342</u>	<u>7,161,241</u>
NET ASSETS				
Invested in capital assets	8,122,153	-	-	23,034,105
Restricted	1,339	-	194,285	2,102,771
Unrestricted	<u>100,777</u>	<u>89,063</u>	<u>27,140</u>	<u>3,166,799</u>
Total Net Assets	<u>8,224,269</u>	<u>89,063</u>	<u>221,425</u>	<u>28,497,960</u>
Total Liabilities and Net Assets	<u>\$ 8,233,326</u>	<u>\$ 89,063</u>	<u>\$ 415,767</u>	<u>\$ 35,659,201</u>

Component Units

STATEMENT OF ACTIVITIES

For the year ended
September 30, 2003

City of Anniston

	Net (Expense) Revenue and Changes in Net Assets										
	Program Revenues			Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Anniston City School Board	Public Library of Anniston/ Calhoun County	Anniston Industrial Dev. Board	Farley L. Berman Foundation	Anniston City Schools Foundation	Spirit of Anniston	Totals
Anniston City School Board											
Educational	\$ 21,111,270	\$ 1,545,202	\$ 13,473,802	\$ 341,523	\$ (5,750,743)	\$	\$	\$	\$	\$	\$ (5,750,743)
Total Anniston City School Board	21,111,270	1,545,202	13,473,802	341,523	(5,750,743)						
Public Library of Anniston/Calhoun County											
Culture and Recreation	821,729	58,708	139,114	33,500		(590,407)					(590,407)
Total Public Library of Anniston	821,729	58,708	139,114	33,500		(590,407)					
Anniston Industrial Development Board											
Community Development	23,687	19,892					(3,795)				(3,795)
Total Industrial Development Board	23,687	19,892					(3,795)				
Farley L. Berman Foundation, Inc.											
Culture and recreation	270,236	33,397	45,000				(191,839)				(191,839)
Total Farley L. Berman Foundation	270,236	33,397	45,000				(191,839)				
Anniston City Schools Foundation											
Educational	248,344	4,871							(243,473)		(243,473)
Total Anniston City Schools Foundation	248,344	4,871							(243,473)		
Spirit of Anniston											
Community Development	478,323	196,197	46,200							(235,926)	(235,926)
Total Spirit of Anniston	478,323	196,197	46,200							(235,926)	
Total Component Units	22,475,266	1,858,267	13,704,116	375,023	(5,750,743)	(590,407)	(3,795)	(191,839)	(243,473)	(235,926)	(7,016,183)
General Revenues:											
Property taxes for general, debt, capital purposes					3,226,543						3,226,543
Payment from City of Anniston					599,918	500,000		150,000	71,250		1,321,168
Payment from Calhoun County						101,710		15,000			116,710
Grants, entitlements and contributions not restricted to specific programs					700			68,885	140,714	222,707	433,006
Interest Income					47,242	1,537	34,553	1,299	1,035		85,666
Miscellaneous					495,146	2,310		5,591	1,845	847	505,739
Total General Revenues					4,369,549	605,557	34,553	240,775	214,844	223,554	5,688,832
Change in net assets					(1,381,194)	15,150	30,758	48,936	(28,629)	(12,372)	(1,327,351)
Net Assets, Beginning of Year					20,522,093	395,234	381,162	2,125,757	117,692	233,797	23,775,735
Adjustment for Valuation of Capital Assets								6,049,576			6,049,576
Net Assets, End of Year					\$ 19,140,899	\$ 410,384	\$ 411,920	\$ 8,224,269	\$ 89,063	\$ 221,425	\$ 28,497,960

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

City of Anniston

September 30, 2003

1. ORGANIZATION AND REPORTING ENTITY

A. Organization

The City of Anniston, Alabama, was incorporated in 1883 under the laws of the State of Alabama. The City operates under the Council/Manager form of government with a City Council consisting of five council members elected for concurrent terms of four years. One council member is elected at large by the qualified voters of the City and has the title of Mayor. The City Manager is appointed by the Council and has full administrative authority for the operations of the City.

B. Reporting Entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. This Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

As required by the accounting principles in the United States, these financial statements present the primary government ("the City") and its discretely presented component units, entities for which the government is considered financially accountable. Because the City appoints the Boards of Directors for these entities and there is a financial burden or benefit from the entities, they are considered governmental fund type and component units and are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presently component unit has a September 30 fiscal year-end.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

1. ORGANIZATION AND REPORTING ENTITY (CONTINUED)

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
The Anniston City School Board is the governing board for the City School System. Eligible voters in the City elect the members of the Board. The City schools are fiscally dependent upon the City since the school board cannot issue bonded debt directly.	The bonded debt must be issued through the City, which the Council must approve.	These financial statements can be located at Anniston City Hall.
The Public Library of Anniston and Calhoun County receives a substantial amount of financial support from the City; however, they do not approve the Library's operations and capital budgets.	The members of the governing board are appointed by the City of Anniston and the Calhoun County Commission.	These financial statements can be located at Anniston City Hall.
The Anniston Industrial Development Board is fiscally dependent upon City support to carry out its mission.	The members of the board are appointed by City Council.	These financial statements can be located at Anniston City Hall.
The Farley L. Berman Foundation, Inc. is fiscally dependent upon the City for its operational support; however, the City does not approve the Foundation's capital budgets or operations.	The City fiscally supports the entity.	These financial statements can be located at Anniston City Hall.
The Anniston City Schools Foundation is fiscally dependent upon the City for its funding; however, the City does not approve its capital budgets or operations.	The City fiscally supports the entity.	These financial statements can be located at Anniston City Hall.
The Spirit of Anniston is fiscally dependent upon the City since the majority of its funding comes from the City. The City does not approve its capital budgets or its funding.	The City fiscally supports the entity.	These financial statements can be located at Anniston City Hall.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the government's accounting policies are described below.

A. Basis of Presentation- Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is either on the City as a whole or major individual funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund statements to the government-wide statements' governmental column.

The focus of this reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type activities, as well as the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

In the fund financial statements, the City's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on the specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations.

The types of funds used in accounting for the financial operations of the City and their nature and purpose are as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City and is considered a major governmental fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement cost that are not paid through other funds, are paid from the General Fund.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds are considered non-major governmental funds.

Debt Service Funds - The Debt Service Funds are nonmajor governmental funds used to account for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City. Debt service funds used by the City are as follows:

1. 2003 General Obligation Warrants- This fund is used to refinance the 1994 General Obligation Warrants and the 1996 School Warrants.
2. Honda Funding Agreement- This agreement is an obligation of the City to pledge an amount to fund certain improvements to the Honda plant in Lincoln, Alabama.
3. Compass Bank Loan- This loan is used to borrow money to purchase a biomass incinerator unit.
4. Regions Bank Loan- This loan is used to borrow money to purchase Cane Creek Golf Course.
5. 1996 Garage Warrants- This fund is used for capital improvements to the garage building.
6. 1998 Warrants- This fund is used to refund other warrants.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources for the acquisition or construction major capital facilities. Capital Projects Funds used by the City are as follows:

1. Electronics Drive
2. Noble Street
3. Carver/Tucker Park

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation- Government-wide and Fund Accounting (Continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. The Police and Fireman's Pension fund is a pension trust fund which accounts for the assets of the defined contribution benefit plan.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

C. Government-wide Financial Statements

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statements

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both "measurable and available" to finance current expenditures. Measurable means knowing or being able to reasonable estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the City considers revenue available if it is collected with 60 days after year end). Gross receipts and selective sales and use taxes are considered available and measurable when the underlying exchange has occurred (i.e., September gross receipts taxes are recorded as revenue in September even though the taxpayers remit taxes in October) and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes are recognized as revenue when the enforceable legal claim has occurred. Grant revenues are recognized when all eligibility requirements have been met.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures (including capital outlay) are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are exceptions to this rule and are recognized when due. Also, expenditures related to insurance claims, employee pension liability, compensated absences and the sinking fund are recognized when payable from expendable available financial resources in future years.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data presented in the accompanying financial statements:

1. Prior to October 1, the City Manager submits to the City Council proposed operating budgets for the fiscal year commencing October 1.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through the passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions to the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
6. All unencumbered appropriations lapse automatically at September 30.
7. State law prohibits any municipality from making expenditures in excess of budgeted amounts unless the actual revenue is more than the budgeted amounts.
8. Budgets for all funds are prepared in accordance with the modified accrual basis for accounting.

Budgeted amounts are as originally adopted by the City Council on October 1, 2002.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenue Recognition

Ad valorem taxes are assessed on property valuations and statutory liens are attached to such properties as of October 1st each year. These taxes are due October 1st, but do not become delinquent until January 1st, after which penalties are levied.

Other material revenue which is susceptible to accrual includes gross receipts, interest income and state-share revenue. Revenue which is not both available and measurable is thus not susceptible to accrual includes property and franchise taxes and business licenses.

G. Deferred Revenue

The fund financial statements include both unearned revenue and revenue that is not considered available to finance current expenditures. The government-wide financial statements include only unearned revenue.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and Capital Projects Funds (Note 13). Encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures. Amounts encumbered roll over into the new year and the budgetary amounts are increased in the year the expenditure is recorded. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end. Encumbrances have been recorded in the General Fund and Capital Projects Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

City of Anniston

September 30, 2003

I. Pooled Cash and Investments

Pooled cash and investments consist of cash, government securities, certificates of deposit, and repurchase agreements. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and investments is recorded as General Fund revenue and allocated between funds based upon balances (Note 3). In accordance with Governmental Accounting Standards Board No. 31, Accounting for Financial Reporting for certain investments and for External Investment Pools, the City reports its money market investments and investments in short term debt securities that have remaining maturities of one year or less at amortized cost.

J. Inventories

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General Fund consist principally of traffic engineering, municipal garage, public buildings, and electrical department supplies. Inventories are stated at cost.

K. Interfund Transfers

On fund financial statements, receivables and payables resulting from outstanding balances are classified as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers and receivables/payables between the two columns appear in this statement, which zero in total.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date donated. The City capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur.

Prior to October 1, 2001, government funds' infrastructure assets were not capitalized. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980 using estimated historical costs.

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	40 years
Machinery and Equipment	5-10 years
Automotive Equipment	5 years
Office Equipment	5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Bond Discounts, Premiums and Issuance Costs

In the governmental funds, bond discounts, premiums and issuance costs are treated as period costs of the year of issue.

In the government-wide financial statements, bond discounts, premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts/premiums are presented as a reduction/addition to the face amount of the bonds payable; whereas, issuance costs are recorded as other assets.

N. Compensated Absences

The City follows Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, which requires that accrued liabilities for future vacations and sick leave be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund, and the amounts considered non-current are held in the long-term debt account group. Amounts paid or payable within sixty days are deemed to be payable from expendable financial resources.

O. Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds and mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity Classifications (Continued)

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. Fund balance is further classified as reserved or unreserved.

3. CASH, EQUITY IN POOLED CASH AND INVESTMENTS

A. Deposits

Cash balances available for investment by most City funds are maintained in pooled cash and investment accounts to improve investment opportunities. The equity in pooled cash and investment balances in the accompanying combined balance sheet represents the undivided interest of each respective fund in pooled accounts.

The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the City's deposits, as well as those of the Component Units, is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

3. CASH, EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

B. Primary Government

The City's primary government deposits, including certificates of deposit were fully insured or collateralized at September 30, 2003. At year-end, the carrying amount of the City's deposits was \$10,042,559. Included in the bank balances are certificates of deposit totaling \$9,937,280. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the "SAFE" program.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 Deposits which are not collateralized or insured.

Based on the three levels of risk, the City's cash deposits are classified as Category 1 deposits.

4. RECEIVABLES

Receivables at September 30, 2003, consist of the following:

Governmental Activities	
<hr/>	
Receivables	
Taxes	\$ 1,393,638
Customers and other	961,242
Other Governmental units	176,081
Gross Receivables	<u>2,530,961</u>
Net receivables	<u>\$ 2,530,961</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

City of Anniston

September 30, 2003

5. ACCOUNTS PAYABLE

Payables at September 30, 2003, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Compensated Absences</u>	<u>Other Liabilities</u>	<u>Total Accounts Payable</u>
Governmental					
Activities:					
General Fund	\$ 362,806	\$ 461,064	\$ 477,110	\$ 22,284	\$ 1,323,264
Capital Projects	7,923	-	-	-	7,923
Other Governmental	<u>1,026,684</u>	<u>-</u>	<u>1,427,708</u>	<u>-</u>	<u>2,454,392</u>
Total Governmental					
Activities	<u>\$ 1,397,413</u>	<u>\$ 461,064</u>	<u>\$ 1,904,818</u>	<u>\$ 22,284</u>	<u>\$ 3,785,579</u>

6. INTERFUND TRANSFERS

Transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Interfund transfers for the year ended September 30, 2003, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Debt Service Funds	-	-
Regions Bank Fund	575,000	-
Special Revenue Funds	-	-
7 Cent Gas Tax	182,700	-
Five Cent Gas Tax	152,000	-
Robertson Road Walk	13,641	-
Municipal Court	866,586	-
LLEBG 2001	273	-
Ambulance Service Fund	-	168,761
Cane Creek Restaurant	-	67,093
LLEBG 2002	-	12,730
Drug Task Force	-	41,513
Greenbrier Road Phase II	-	21,310
Great American Station	-	18,830
Choccolocco MPO	-	29,412
Airport Grant 2002	-	36,278

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

6. INTERFUND TRANSFERS (CONTINUED)

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund		
Electric Drive	\$ -	\$ 62,300
Noble Street	-	1,987,056
Carver/Tucker Park	-	44,751
	<u>1,790,200</u>	<u>2,490,034</u>
Total General Fund		
Debt Service Funds		
Regions Bank Fund	-	-
General Fund	-	575,000
	<u>-</u>	<u>575,000</u>
Total Debt Service Fund		
Special Revenue Funds		
7 Cent Gas Tax	-	182,700
5 Cent Gas Tax	-	152,000
Robertson Road Walk	-	13,641
Municipal Court	-	866,586
LLEBG 2001	-	273
Ambulance Service Fund	168,761	-
Cane Creek Restaurant	67,093	-
LLEBG 2002	12,730	-
Drug Task Force	41,513	-
Greenbrier Road, Phase II	21,310	-
Great American Station	18,830	-
Choccolocco MPO	29,412	-
Airport Grant 2002	36,278	-
	<u>395,927</u>	<u>1,215,200</u>
Total Special Revenue Funds		
Capital Projects Fund		
Electric Drive	62,300	-
Noble Street	1,987,056	-
Carver/Tucker Park	44,751	-
	<u>2,094,107</u>	<u>-</u>
Total Capital Projects Fund		
Total Interfund Transfers	\$ <u>4,280,234</u>	\$ <u>4,280,234</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

7. INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Interfund receivables and payables at September 30, 2003, are as follows:

	<u>Interfund Payables</u>	<u>Interfund Receivables</u>
Major Governmental Funds		
General Fund		
Capital Improvements Fund	\$ -	\$ 258,614
Special Revenue Funds	<u>1,046,165</u>	<u>1,927,765</u>
Total General Fund	<u>1,046,165</u>	<u>2,186,379</u>
Capital Improvements Fund		
General Fund	<u>258,614</u>	<u>-</u>
Total Capital Improvements Fund	<u>258,614</u>	<u>-</u>
Special Revenue Funds		
General Fund	<u>1,927,765</u>	<u>1,046,165</u>
Total Special Revenue Fund	<u>1,927,765</u>	<u>1,046,165</u>
	<u>\$ 3,232,544</u>	<u>\$ 3,232,544</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

City of Anniston

September 30, 2003

8. CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended September 30, 2003:

	Capital Assets, Not Depreciated	Capital Assets, Depreciated			
	Land	Buildings and Improvements	Intangibles	Machinery and Equipment	Total
Balance, October 1, 2002	\$ 6,408,762	\$ 25,317,195	\$ 108,255	\$ 12,279,647	\$ 31,725,957
Additions	74,800	2,007,123	-	187,754	2,269,677
Deletions	(525,784)	(4,829,888)	(108,255)	(4,320,853)	(9,784,780)
Balance, September 30, 2003	<u>5,957,778</u>	<u>22,494,430</u>	<u>-</u>	<u>8,146,548</u>	<u>36,598,756</u>
<i>Accumulated Depreciation</i>					
Balance, October 1, 2002	-	8,838,756	-	5,142,629	13,981,385
Additions	-	625,268	-	710,428	1,335,696
Deletions	-	-	-	-	-
Balance, September 30, 2003	<u>-</u>	<u>9,464,024</u>	<u>-</u>	<u>5,853,057</u>	<u>15,317,081</u>
Capital Assets, Net	<u>\$ 5,957,778</u>	<u>\$ 13,030,406</u>	<u>\$ -</u>	<u>\$ 2,293,491</u>	<u>\$ 21,281,675</u>

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

9. LONG-TERM DEBT

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2003:

\$6,415,000; 2003 Series General Obligation Warrants; due annually at rates ranging from 1.5% - 2.15% annum; maturing March 1, 2011.	\$ 6,415,000
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\$1,800,000; 1998 Series General Obligation Warrants; due semi-annually at rates ranging from 3.60% - 4.75% per annum; maturing November 15, 2013.	1,395,000
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\$180,000; 1996 Garage Building Warrants, annual principal payments of \$12,296 with a rate 5.5% per annum; paid off October 1, 2004.	<u>115,418</u>
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Total bonds, warrants, and other notes payable	\$ <u>7,925,418</u>
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\$575,000; note payable to Regions Bank, annual principal payments of \$115,000 plus a variable interest rate, which is 3 month- LIBOR plus 210 basis points, currently 2.22%.	\$ 575,000
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\$1,500,000; Honda Funding Agreement, First Commercial Bank, annual payments of \$145,984. Matures in February 2015.	1,282,384
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\$300,000; note payable to Compass Bank, annual principal and interest payments of \$54,600, with a fixed interest rate of 7.18%. Paid off on October 1, 2004.	<u>202,954</u>
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Total Notes Payable	\$ <u>2,060,338</u>
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

9. LONG-TERM DEBT (CONTINUED)

The principal and maturities and related interest requirements for the bonds, warrants and notes payable for the next five fiscal years and thereafter are as follows:

**Bonds/Warrants/Other
Notes Payable**

Fiscal Year Ending September 30, 2003	Principal	Interest	Total
2004	\$ 1,026,615	\$ 183,668	\$ 1,210,283
2005	1,047,296	156,459	1,203,755
2006	1,063,000	135,710	1,198,710
2007	1,094,100	134,913	1,229,013
2008	1,119,521	106,669	1,226,190
2009	1,155,361	73,842	1,229,203
2010-2011	1,419,435	-	1,419,435
Total	\$ <u>7,925,328</u>	\$ <u>791,261</u>	\$ <u>8,716,589</u>

Notes Payable

Fiscal Year Ending September 30, 2003	Principal	Interest	Total
2004	\$ 237,369	\$ 89,981	\$ 327,350
2005	244,320	85,367	329,686
2006	251,500	76,376	327,876
2007	259,410	68,571	327,982
2008	230,770	61,023	291,793
2009	217,746	60,861	278,607
2010-2015	619,223	-	619,223
Total	\$ <u>2,060,338</u>	\$ <u>442,179</u>	\$ <u>2,502,516</u>

10. DEFEASANCE OF PRIOR DEBT

The 1996 General Obligation School Warrants and the 1994 General Obligation Warrants were refinanced with the 2003 General Obligation Warrants. The refinancing of these warrants results in a net present value savings to the City of \$390,930 due to the reduced interest rates. These new warrants were issued in April of 2003.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

11. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS

The City participates in two pension plans, which cover substantially all employees. Both of these plans are established by state law and are administered by outside trustees. The Retirement Systems of Alabama's accounts are not included in the accompanying financial statements; however, the accounts from the police and fireman's pension fund are included as a fiduciary fund.

City employees, who elect to be included, are covered by the Retirement System of Alabama. This plan is funded by contributions from employees and the City. This plan is a multi-employer state retirement system. The contribution rate is 5% for employees. Effective, January 1, 2001, the member contribution rate for certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employee's compensation. The employer's rate is determined annually by the actuary for the Retirement Systems of Alabama. The employer's rate was determined to be 5.18% for September 30, 2002. The rate is composed of normal cost of 4.18% pre-retirement death benefit of .15%; administrative expenses of .18%; and accrued liability of .67%. The total combined payroll for the year ended September 30, 2002, was \$6,588,264. Both the employers' contribution of \$283,981 and the employee's contribution of \$293,497 have been made. The following schedule is based on the actual valuation as of September 30, 2001 (most recent information available) as provided by the Employer's Retirement System of Alabama.

Summary of Employee Census Data

Number of Members – Active	241
Number of Members – Retired	79
Annual Compensation – Active	6,588,264
Annual Allowance – Retired Members	885,704

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

11. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/1997	13,531,145	11,724,713	(1,806,432)	115.4	5,150,295	(35.1)%
9/30/1998	14,340,395	12,457,382	(1,883,013)	115.1	5,065,149	(37.2)%
9/30/1999	15,114,565	13,884,961	(1,229,604)	108.9	5,185,549	(23.7)%
9/30/2000	15,990,233	15,343,131	(647,102)	104.2	5,900,297	(11.0)%
9/30/2001	16,571,618	16,529,645	(41,973)	100.3	6,762,334	(0.6)%
9/30/2002	16,683,307	17,319,318	(636,011)	96.3	6,588,264	9.7 %

1. Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
2. Reflects change in asset valuation method to market value (as of September 30, 1997).
3. Reflects change in asset valuation method to market related value (as of September 30, 1998).
4. Reflects changes in actuarial assumptions (as of September 30, 2001). Also reflects effect of DROP if unit elected to enroll.

Valuation date	9/30/2002
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	4.61% - 7.75%
Includes inflation at	4.5%
Cost of living adjustments	None

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

11. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Obligation (NPO)
9/30/2000	\$ 245,715	100.00%	-
9/30/2001	314,161	100.00%	-
9/30/2002	282,589	100.00%	-

Actuarial valuations are normally made on an annual basis by the State Retirement System. Contributions to the plan, expressed as a percentage of active number payrolls, should remain approximately level from year to year.

The Police and Fireman's Pension Fund is funded by contributions from employees, the City and a tax on certain utilities revenue. The plan covers all sworn members of the Police and Fire Departments of the City. Retirement benefits are paid to those members having continuous service for twenty (20) years if employed before June 1, 1979, and 25 continuous years of service if employed thereafter. An actuarial valuation of the plan is made biannually; however, contribution amounts are prescribed by state law and do not vary with the actuarial valuation. These contribution rates are as follows:

City contribution	10% of employee gross pay
Employees contribution	10% of employee gross pay
Certain public utilities	.5% of gross revenue

The most recent actuarial valuation was performed as of September 30, 2001, and contains the following information:

Accounting Information	
Retirees and beneficiaries receiving benefits	148
Active plan members	210
Actuarial value of assets	\$ 26,642,838
Actuarial accrued liability	\$ 11,549,832
Covered payroll	\$ 5,647,923
Unfunded accrued liability as a percentage of covered payroll	205%

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

11. RETIREMENT PLANS AND OTHER EMPLOYEE BENEFITS (CONTINUED)

Contributions for 2003 fiscal year as follows:

Employee contribution	\$ 656,790
City contribution	\$ 656,790
Public utility tax	\$ 319,261

Development of the Fund through September 30, 2003

Year Ended September 30	Employer Contributions	Employer Contributions	Public Utility Tax	Net Investment Return	Benefit Payments	Actuarial Value of Assets at End of Year
2003	\$ 656,790	\$ 656,790	\$ 319,261	\$ 2,543,082	\$ 2,545,898	\$ ***
2002	638,550	638,550	329,501	2,308,281	2,396,883	***
2001	498,593	498,593	306,520	1,363,149	2,223,006	26,642,838
2000	518,756	518,756	277,334	2,187,279	2,115,144	26,198,989
1999	479,268	479,268	282,686	1,360,707	2,172,888	24,812,508
1998	500,147	500,147	281,198	1,286,393	1,639,513	24,383,467
1997	451,057	451,057	278,312	1,462,866	1,722,185	23,455,095
1996	484,606	484,606	265,725	1,319,208	1,644,434	22,533,988
1995	473,032	473,032	262,493	1,518,419	1,547,317	21,624,277
1994	405,448	405,448	268,745	1,429,842	1,524,440	20,444,618
1993	361,563	361,563	258,975	1,442,285	1,312,694	19,459,575
1992	304,103	304,103	257,923	1,837,120	1,088,110	18,347,883

***This information is unavailable due to actuarial report being issued every two years, the last report dated October 1, 2001.

Notes on Police and Fireman's Pension Fund

Valuation Date	9/30/01
Actuarial cost method	Projected unit credit
	Actuarial Cost Method
Asset valuation method	Market value less
	Unrecognized returns
Investment Rate of Return	8%
Projected salary increases	4.5% per year

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

12. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigations of which legal counsel and City management is of the opinion that none will have a material adverse effect on the financial statements of the City. These actions include both asserted and unasserted claims. The City's legal counsel has advised that damages on any asserted claims, should an unfavorable judgment be reached, will be within the limits of the City's insurance coverage and therefore should not impact upon municipal assets. The City's maximum liability is estimated to be the \$5,000 insurance deductible for claims. No accrual has been included in these financial statements for this matter.

13. RISK MANAGEMENT

The City is self-insured for employee's medical coverage for claims up to an expected level in aggregate. A specific and aggregate stop loss agreement is in effect with an outside insurance company. This will cover claims exceeding \$100,000 per eligible employee per year with an outside company.

As of September 30, 2003, a liability for future claims is not recorded.

The liability if any for this contingency is measured in accordance with Financial Accounting Standards Boards (FASB) Statement No. 5. Expenses are recognized when incurred and offsetting revenues are recorded as a reduction against the applicable expense.

14. PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment made to \$355,939 made to the ambulance service fund. This was due to the conversion of this fund from the accrual to the cash basis. This adjustment was deemed necessary by management due to the nature of the operations, whereby, collectibility of medical charges are unpredictable.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

City of Anniston

September 30, 2003

15. SUBSEQUENT EVENTS

The City participates in several federal and state assisted programs, including Community Development Block Grants (CDBG) and Urban Action Development Grants. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. On March 15-18, 2004, Anniston City was audited by HUD and found to be noncompliant. The City is in the process of taking action to correct the situation. Points addressed include lack of documentation, ineligible expenditures and various other issues. For further detail, see the schedule of findings and questioned costs located at the back of this report.

16. PRESENTATION OF THE ANNISTON MUSEUM

Anniston Museum of Natural History is a Department of the City of Anniston for the September 30, 2003 audit. In prior years, the Museum has been treated as a component unit.

The Anniston Museum is now being presented as a fund and included in the other governmental fund category.

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS***

SCHEDULE OF REVENUES AND EXPENDITURES **GENERAL FUND BUDGET AND ACTUAL**

City of Anniston

For the year ended
September 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes			
Sales and use	\$ 15,801,778	\$ 15,404,068	\$ (397,710)
General property taxes	3,934,500	3,752,623	(181,877)
Beverage taxes	128,483	123,227	(5,256)
Anniston Housing Authority	12,000	13,391	1,391
Water utility fees	350,000	378,730	28,730
Cigarette and tobacco	253,400	287,847	34,447
Gasoline	395,000	409,407	14,407
Bingo	126,000	126,430	430
Lodging	160,000	140,612	(19,388)
Rental	184,000	177,424	(6,576)
Total Taxes	<u>21,345,161</u>	<u>20,813,759</u>	<u>(531,402)</u>
Licenses and Permits			
Business licenses	2,672,978	2,312,411	(360,567)
Other licenses and penalties	852,320	782,256	(70,064)
Total Licenses and Permits	<u>3,525,298</u>	<u>3,094,667</u>	<u>(430,631)</u>
State Shared Revenues			
ABC Board	13,000	22,788	9,788
Financial Institution tax	65,000	44,637	(20,363)
Shares tax	109,850	110,178	328
Motor vehicles	80,700	81,329	629
Total State Shared Revenues	<u>268,550</u>	<u>258,932</u>	<u>(9,618)</u>
Changes for Services			
Garbage fees	676,364	725,777	49,413
Airport revenues	35,000	31,293	(3,707)
Rental income	24,000	27,047	3,047
Recreation Department fees	1,185,400	840,691	(344,709)
Public works receipts	52,800	38,247	(14,553)
Public safety receipts	160,743	353,675	192,932
Total Charges for Services	<u>\$ 2,134,307</u>	<u>\$ 2,016,730</u>	<u>\$ (117,577)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL
(CONTINUED)**

City of Anniston

For the year ended
September 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Recovery of Assets			
Sales of equipment	\$ 30,000	\$ 16,735	\$ (13,265)
Sale of land	-	4,925	4,925
Insurance claims/refunds	500	335	(165)
Total Recovery of Assets	30,500	21,995	(8,505)
Miscellaneous Revenue	57,965	40,146	(17,819)
Interest Income	300,000	222,233	(77,767)
Total Revenues	<u>\$ 27,661,781</u>	<u>\$ 26,468,462</u>	<u>\$ (1,193,319)</u>
Expenditures			
General Government			
Finance division	\$ 906,946	\$ 832,583	\$ 74,363
General division	146,628	143,564	3,064
City Council	170,456	164,144	6,312
Total General Government	<u>1,224,030</u>	<u>1,140,291</u>	<u>83,739</u>
Public Safety			
Police	4,953,833	4,540,170	413,663
Municipal Court	-	238,194	-
Detention facilities	434,716	380,244	54,472
Fire	3,896,230	3,679,559	216,671
Total Public Safety	<u>9,284,779</u>	<u>8,838,167</u>	<u>684,806</u>
Public Works			
General	336,740	189,495	147,245
Cemetery	99,222	107,332	(8,110)
Electrical	695,202	629,897	65,305
Engineering	184,835	188,316	(3,481)
Garage	144,577	151,785	(7,208)
Environmental services	984,149	914,824	(69,325)
Street Department	2,495,314	2,433,991	61,323
Airport	48,185	40,581	1,234
Planning	363,464	292,497	70,967
Total Public Works	<u>\$ 5,351,688</u>	<u>\$ 4,948,718</u>	<u>\$ 257,950</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND BUDGET AND ACTUAL
(CONTINUED)**

City of Anniston

For the year ended
September 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Recreational			
Administration	\$ 324,032	\$ 329,136	\$ (5,104)
Parks, facilities, and utilities	-	2,130,802	-
PARD programs	-	621,368	-
Building Maintenance	834,606	755,549	79,057
Total Recreational	1,158,638	3,836,855	73,953
Non-Departmental			
Professional services	100,000	155,410	(5,540)
Utilities	35,000	39,093	(4,093)
Miscellaneous	3,267,587	3,303,409	(35,822)
Total Non-Departmental	3,402,587	3,497,912	(95,325)
Capital Outlay	694,524	1,739,299	(1,044,775)
Other Board and Agencies			
Anniston Calhoun County Library	500,000	500,000	-
AHS Scholarship Program	90,000	83,631	6,369
Anniston City Board of Education	1,004,574	1,004,574	-
Anniston City Schools Foundation	75,000	75,000	-
Berman Museum	150,000	150,000	-
Calhoun County Health Dept	70,000	70,000	-
Calhoun County Humane Society	36,000	36,000	-
Calhoun County Juvenile Court	69,134	69,780	(646)
Children's Services	3,500	3,500	-
Civil Defense	500	86	414
Civil Service Board	35,000	36,959	(1,959)
Community Enabler Developer	14,000	14,000	-
Coosa Valley Juvenile Center	184,633	184,633	-
East Alabama Regional Planning	26,948	24,749	2,199
Disabled American Vets	5,000	5,000	-
Human Resources Department	1,200	1,200	-
Museum of Natural History	550,000	550,000	-
Calhoun/Cleburne Mental Health	85,000	85,000	-
Alabama Coop Extension	2,000	2,000	-
Boys & Girls Clubs	6,000	6,000	-
NE Alabama Entrepreneur	10,000	10,000	-
Agency for Substance Abuse	3,000	3,000	-
Returned Senior Volunteer Program	3,500	3,500	-
Salvation Army	2,500	2,500	-
Spirit of Anniston/Mainstreet USA	205,000	205,000	-
Total Board and Agencies	3,132,489	3,126,112	6,377
Total Expenditures	\$ 24,248,735	\$ 27,127,354	\$ (2,878,619)

COMBINING FINANCIAL STATEMENTS

Nonmajor Special Revenue Funds

COMBINING BALANCE SHEET

City of Anniston		September 30, 2000																		
		Seven Cent	Five Cent	Cemetery	Corrections	Ambulance	Cane	Fire	Alabama	Emergency	Robertson									
		Gas Tax	Gas Tax	Trust	Fund	Service	Creek	District Tax	Trust	Shelter	Road									
		Fund	Fund	Fund		Fund	Restaurant	Fund	Fund	Grant	Walk									
ASSETS																				
Cash	\$	168,061	\$	105,297	\$	-	\$	639,477	\$	134,225	\$	77,480	\$	345,272	\$	352,600	\$	-	\$	-
Investments	-	-	-	-	-	16,500	-	695,000	-	-	-	-	-	1,689,000	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	8,553	-	-	-	-	-	-	-	444,440	-	-	-	-	-	-
Due from other governments	15,249	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,518	-	-
Inventory/other assets	-	-	-	-	-	-	-	-	-	-	-	4,302	-	8,281	-	-	-	-	-	-
Total Assets	\$	183,310	\$	117,108	\$	25,053	\$	1,334,477	\$	134,225	\$	81,782	\$	2,486,993	\$	352,600	\$	25,518	\$	-
LIABILITIES AND FUND BALANCE																				
Accounts payable and accrued expenses	\$	-	\$	-	\$	-	\$	-	\$	40,437	\$	6,117	\$	37,184	\$	-	\$	-	\$	-
Due to other funds	-	-	-	-	-	-	-	-	-	93,788	-	75,665	-	174,831	-	152,160	-	25,518	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	134,225	-	81,782	-	212,015	-	152,160	-	25,518	-	-
Fund Balance Reserved	183,310	-	117,108	-	-	25,053	-	1,334,477	-	-	-	-	-	2,274,978	-	200,440	-	-	-	-
Total Liabilities and Fund Balance	\$	183,310	\$	117,108	\$	25,053	\$	1,334,477	\$	134,225	\$	81,782	\$	2,486,993	\$	352,600	\$	25,518	\$	-

Nonmajor Special Revenue Funds
COMBINING BALANCE SHEET
(CONTINUED)

City of Anniston	September 30, 2003							
	Hazmat	Bulletproof Vest Fund	LLEBG 2003	LLEBG 2002	Community Development	FEMA Detention Pond Grant	Municipal Court	Urban Development Action Grant
ASSETS								
Cash	\$ -	\$ -	\$ 112,909	\$ 113,126	\$ 42,800	\$ -	\$ 290,156	\$ 310,354
Investments	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	73,862	-	-	578,981
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	552,004	-	-	-	274,822	305,316	-	-
Inventory/other assets	444,440	-	-	-	-	-	-	-
Total Assets	\$ 996,444	\$ -	\$ 112,909	\$ 113,126	\$ 391,484	\$ 305,316	\$ 290,156	\$ 889,335
LIABILITIES AND FUND BALANCE								
Accounts payable and accrued expenses	\$ 170,764	\$ -	\$ 400	\$ 645	\$ 10,280	\$ -	\$ 56,331	\$ -
Due to other funds	547,526	1,734	-	47,230	307,320	248,873	224,152	37,000
Deferred revenue	-	-	-	-	-	-	-	214,161
Total Liabilities	718,290	1,734	400	47,875	317,600	248,873	280,483	251,161
Fund Balance Reserved	278,154	(1,734)	112,509	65,251	73,884	56,443	9,673	638,174
Total Liabilities and Fund Balance	\$ 996,444	\$ -	\$ 112,909	\$ 113,126	\$ 391,484	\$ 305,316	\$ 290,156	\$ 889,335

Nonmajor Special Revenue Funds
COMBINING BALANCE SHEETS
(CONTINUED)

City of Anniston

September 30, 2003

	Drug Task Force	Greenbrier Road Phase II	Quintard Traffic Signal	Drug Task Force Office	Federal Seized Assets	Brownfield Project	Great American Station	Youth Sports Complex	Cane Creek Subdivision	Urban Forestry Grant
ASSETS										
Cash	\$ -	\$ -	\$ -	\$ 102,990	\$ 4,493	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	10,000	-	-	-	1,298,780	-	-
Receivables	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	98,236	494,936	-
Due from other governments	113,872	-	-	-	132,692	88,383	-	-	-	501
Inventory/other assets	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 113,872	\$ -	\$ -	\$ 112,990	\$ 137,185	\$ 88,383	\$ -	\$ 1,397,016	\$ 494,936	\$ 501
LIABILITIES AND FUND BALANCE										
Accounts payable and accrued expenses	\$ 35,691	\$ -	\$ -	\$ 47,087	\$ -	\$ 44,173	\$ -	\$ 10,500	\$ -	\$ -
Due to other funds	64,560	-	1,873	-	-	45,710	-	105,734	-	501
Deferred revenue	-	-	-	-	-	-	-	-	494,936	-
Total Liabilities	100,251	-	1,873	47,087	-	89,883	-	116,234	494,936	501
Fund Balance Reserved	13,621	-	(1,873)	65,903	137,185	(1,500)	-	1,280,782	-	-
Total Liabilities and Fund Balance	\$ 113,872	\$ -	\$ -	\$ 112,990	\$ 137,185	\$ 88,383	\$ -	\$ 1,397,016	\$ 494,936	\$ 501

Nonmajor Special Revenue Funds
COMBINING BALANCE SHEETS
(CONTINUED)

City of Anniston	September 30, 2003				
	LLEBG 2000	Choccolocco MPO Resurfacing	LLEBG 2001	Airport Grant FY 2002	Totals
ASSETS					
Cash	\$ 3,684	\$ -	\$ 76,194	\$ 100	\$ 2,879,218
Investments	-	-	-	-	3,709,280
Receivables	-	-	-	-	652,843
Due from other funds	-	-	-	-	1,046,165
Due from other governments	-	9,801	-	480,362	2,010,331
Inventory/other assets	-	-	-	-	457,023
Total Assets	\$ 3,684	\$ 9,801	\$ 76,194	\$ 480,462	\$ 10,754,860
LIABILITIES AND FUND BALANCE					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 537,937	\$ 997,546
Due to other funds	3,684	9,801	76,194	(57,475)	2,186,379
Deferred revenue	-	-	-	-	709,097
Total Liabilities	3,684	9,801	76,194	480,462	3,893,022
Fund Balance Reserved	-	-	-	-	6,861,838
Total Liabilities and Fund Balance	\$ 3,684	\$ 9,801	\$ 76,194	\$ 480,462	\$ 10,754,860

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston											For the year ended September 30, 2003	
	Seven Cent Gas Tax Fund	Five Cent Gas Tax Fund	Cemetery Trust Fund	Corrections Fund	Ambulance Service Fund	Cane Creek Restaurant	Fire District Tax Fund	Alabama Trust Fund	Emergency Shelter Grant	Robertson Road Walk		
Revenues												
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 577,953	\$ 135,529	\$ -	\$ -	\$ -	\$ -		
Operating grants and contributions	-	-	-	-	-	-	-	-	144,165	-		
Capital grants and contributions	-	-	-	-	-	-	-	-	-	13,641		
General revenues	167,378	128,267	1,558	246,990	1,051	370	873,353	98,327	-	-		
Total Revenues	167,378	128,267	1,558	246,990	579,004	135,899	873,353	98,327	144,165	13,641		
Expenditures												
General	-	-	24	7	900,831	204,014	112,126	-	-	-		
Public Safety	-	-	-	-	-	-	-	-	-	-		
Other	-	-	-	-	-	-	-	152,160	144,165	-		
Total Expenditures	-	-	24	7	900,831	204,014	112,126	152,160	144,165	-		
Excess Revenues over Expenditures	167,378	128,267	1,534	246,983	(321,827)	(68,115)	761,227	(53,833)	-	13,641		
Other Financing Sources	(182,700)	(152,000)	-	-	168,761	67,093	-	-	-	(13,641)		
Excess (deficiency) of revenues over expenditures and other financing	(15,322)	(23,733)	1,534	246,983	(153,066)	(1,022)	761,227	(53,833)	-	-		
Fund Balance, Beginning of Year	198,632	140,841	23,519	1,087,494	509,005	1,022	1,513,751	254,273	-	-		
Prior Period Adjustment					(355,939)							
Fund Balance, End of Year	\$ 183,310	\$ 117,108	\$ 25,053	\$ 1,334,477	\$ -	\$ -	\$ 2,274,978	\$ 200,440	\$ -	\$ -		

*****Prior period adjustment- converted ambulance revenue from accrual to cash due to nature of operations; whereby collectibility of medical fees charged are unpredictable

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)

	For the year ended September 30, 2003									
	City of Anniston		City of Anniston		City of Anniston		City of Anniston		City of Anniston	
	Hazmat	Bulletproof Vest Fund	LLEBG 2003	LLEBG 2002	Community Development	FEMA Detention Pond Grant	Municipal Court	Urban Development Action Grant		
Revenues										
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,119,655	\$ -		
Operating Grants and Contributions	552,004	1,735	112,881	112,109	724,064	-	-	-		
Capital Grants and Contributions	-	-	-	-	-	738,977	-	-		
General Revenues	-	-	28	1,972	1,167	-	-	32,965		
Total Revenues	552,004	1,735	112,909	114,081	725,231	738,977	1,119,655	32,965		
Expenditures										
General	273,850	3,469	400	61,560	731,698	-	-	587		
Public Safety	-	-	-	-	-	-	588,575	-		
Other	-	-	-	-	-	682,534	-	23,548		
Total Expenditures	273,850	3,469	400	61,560	731,698	682,534	588,575	24,135		
Excess Revenues over Expenditures	278,154	(1,734)	112,509	52,521	(6,467)	56,443	531,080	8,830		
Other Financing Sources	-	-	-	12,730	-	-	(866,586)	-		
Excess (deficiency) of revenues over expenditures and other financing sources	278,154	(1,734)	112,509	65,251	(6,467)	56,443	(335,506)	8,830		
Fund Balance, Beginning of Year	-	-	-	-	80,351	-	345,179	629,344		
Fund Balance, End of Year	278,154	(1,734)	112,509	65,251	73,884	56,443	9,673	638,174		

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)

For the year ended
September 30, 2003

City of Anniston

	Drug Task Force	Greenbriar Road Phase II	Quintard Traffic Signal	Drug Task Force Office	Federal Seized Assets	Brownfield Project	Great American Station	Youth Sports Complex	Cane Creek Subdivision	Urban Forestry Grant
Revenues										
Charges for services	\$ -	\$ -	\$ -	\$ 153,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	417,874	-	-	-	132,728	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	3,491
General revenues	-	-	-	-	-	-	-	26,853	-	-
Total Revenues	417,874	-	-	153,465	132,728	-	-	26,853	-	3,491
Expenditures										
General	-	-	-	-	-	1,500	27,341	117,326	-	3,491
Public safety	503,149	-	-	155,381	-	-	-	-	-	-
Other	-	-	-	71,179	-	-	-	-	-	-
Total Expenditures	503,149	-	-	226,560	-	1,500	27,341	117,326	-	3,491
Excess Revenues over Expenditures	(85,275)	-	-	(73,095)	132,728	(1,500)	(27,341)	(90,473)	-	-
Other Financing Sources	41,513	21,310	-	-	-	-	18,830	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources	(43,762)	21,310	-	(73,095)	132,728	(1,500)	(8,511)	(90,473)	-	-
Fund Balance, Beginning of Year	57,383	(21,310)	(1,873)	138,998	4,457	-	8,511	1,371,255	-	-
Fund Balance, End of Year	\$ 13,621	\$ -	\$ (1,873)	\$ 65,903	\$ 137,185	\$ (1,500)	\$ -	\$ 1,280,782	\$ -	\$ -

Nonmajor Special Revenue Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)

	For the year ended				
	September 30, 2003				
City of Anniston	LLEBG 2000	Choccolocco MPO Resurfacing	LLEBG 2001	Airport Grant FY 2002	Totals
Revenues					
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ 1,986,602
Operating Grants and Contributions	-	-	-	-	2,197,560
Capital Grants and Contributions	-	-	-	503,969	1,260,078
General Revenues	-	-	-	-	1,580,279
Total Revenues	-	-	-	503,969	7,024,519
Expenditures					
General	-	-	2,922	-	2,441,146
Public Safety	-	-	-	-	1,247,105
Other	-	29,412	-	540,247	1,643,245
Total Expenditures	-	29,412	2,922	540,247	5,331,496
Excess Revenues over Expenditures	-	(29,412)	(2,922)	(36,278)	1,693,023
Other Financing Sources	-	29,412	(273)	36,278	(819,273)
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	(3,195)	-	873,750
Fund Balance, Beginning of Year	-	-	3,195	-	6,344,027
Prior Period Adjustment	-	-	-	-	(355,939)
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ 6,861,838

Debt Service Funds
COMBINING BALANCE SHEET

City of Anniston

September 30, 2003

ASSETS

Cash and Certificates of Deposit	\$ 96
Receivables Net	-
Due from Other Funds and Governments	-
Other Assets	-
	<hr/>
Total Assets	\$ 96

LIABILITIES

Accounts payable and accruals	\$ -
	<hr/>
Total Liabilities	-

FUND BALANCES

Reserved for Debt Service Funds	96
	<hr/>
Total Fund Balance	96
	<hr/>
Total Liabilities and Fund Balance	\$ 96

Debt Service Funds
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

City of Anniston	For the year ended September 30, 2003
Revenues	
Taxes	\$ -
Interest	-
Proceeds from new debt	653,402
Total Revenues	<u>653,402</u>
Expenditures	
Principal Retirement	524,826
Interest charges and transfer fees	555,039
Miscellaneous	17,875
Total Expenditures	<u>1,097,740</u>
Excess (deficiency) of revenue over expenditures	(444,338)
Other financing sources (uses)	
Transfers in (out)	446,193
Excess (deficit) of revenue and other sources over expenditures and other uses	1,855
Fund Balance, Beginning of Year (as restated)	<u>(1,759)</u>
Fund Balance, End of Year	<u>\$ 96</u>

**Nonmajor Governmental Funds
(by fund types)**

COMBINING BALANCE SHEET

City of Anniston

September 30, 2003

	Special Revenue Funds	Debt Service Funds	Anniston Museum Fund	Total Other Governmental Funds
ASSETS				
Cash and certificates of deposit	\$ 6,588,498	\$ 96	\$ 505,545	\$ 7,094,139
Receivables net	652,843	-	-	652,843
Due from other funds	1,046,165	-	-	1,046,165
Due from other governments	2,010,331			2,010,331
Other assets	457,023	-	112,735	569,758
Total Assets	\$ 10,754,860	\$ 96	\$ 618,280	\$ 11,373,236
LIABILITIES				
Accounts payable and accruals	\$ 997,546	\$ -	\$ 29,138	\$ 1,026,684
Due to other funds	2,186,379	-	-	2,186,379
Deferred revenue	709,097	-	-	709,097
Accrual for sick leave	-		64,696	64,696
Total Liabilities	3,893,022	-	93,834	3,986,856
FUND BALANCES				
Reserved for:				
Special Revenue Funds	6,861,838	-	-	6,861,838
Unreserved, reported in:	-	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	96	-	96
Anniston Museum Fund	-	-	524,446	524,446
Total Fund Balances	6,861,838	96	524,446	7,386,380
Total Liabilities and Fund Balance	\$ 10,754,860	\$ 96	\$ 618,280	\$ 11,373,236

**Nonmajor Governmental Funds
(by fund type)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

City of Anniston	For the year ended September 30, 2003			
	Special Revenue Funds	Debt Service Funds	Anniston Museum Fund	Total Other Governmental Funds
Revenues				
Charges for services	\$ 1,986,602	\$ -	\$ 119,465	\$ 2,106,067
Operating grants and contributions	2,197,560	-	225,515	2,423,075
Capital grants and contributions	1,260,078	-	-	1,260,078
City appropriations	-	-	549,720	549,720
Other revenues	1,580,279	653,402	202,273	2,435,954
Total Revenues	<u>7,024,519</u>	<u>653,402</u>	<u>1,096,973</u>	<u>8,774,894</u>
Expenditures				
General	2,441,146	-	-	2,441,146
Public safety	1,247,105	-	-	1,247,105
Public works	-	-	-	-
Other	1,643,245	-	989,650	2,632,895
Debt service	-	1,097,740	-	1,097,740
Total Expenditures	<u>5,331,496</u>	<u>1,097,740</u>	<u>989,650</u>	<u>7,418,886</u>
Excess Revenues over Expenditures	1,693,023	(444,338)	107,323	1,356,008
Other Financing Sources	<u>(819,273)</u>	<u>446,193</u>	<u>-</u>	<u>(373,080)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	873,750	1,855	107,323	982,928
Fund Balance Beginning of Year	6,344,027	(1,759)	417,123	6,759,391
Prior Period Adjustment	<u>(355,939)</u>	<u>-</u>	<u>-</u>	<u>(355,939)</u>
Fund Balance End of Year	<u>\$ 6,861,838</u>	<u>\$ 96</u>	<u>\$ 524,446</u>	<u>\$ 7,386,380</u>

Capital Projects Funds
COMBINING BALANCE SHEET

September 30, 2003

City of Anniston

	Electronics Drive	Noble Street	Carver/ Tucker Park	Total
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables	-	-	-	-
Due from other funds	-	1,288,930	-	1,288,930
Due from other governments	-	-	197,000	197,000
Inventory	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 1,288,930</u>	<u>\$ 197,000</u>	<u>\$ 1,485,930</u>
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued expenses	\$ -	\$ 7,923	\$ -	\$ 7,923
Due to other funds	-	-	258,613	258,613
Deferred revenue	-	-	-	-
Warrants payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>7,923</u>	<u>258,613</u>	<u>266,536</u>
Fund balances	-	1,281,007	(61,613)	1,219,394
Reserve for future projects	-	-	-	-
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,288,930</u>	<u>\$ 197,000</u>	<u>\$ 1,485,930</u>

Capital Projects Funds

COMBINING SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE

City of Anniston	For the year ended September 30, 2003			
	Electronics Drive	Noble Street	Carver/ Tucker Park	Total
REVENUES				
Intergovernmental Revenues				
Federal and state grants	\$ -	\$ -	\$ 197,000	\$ 197,000
State taxes	-	-	-	-
Other Operating Revenues				
Interest on investments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,000</u>	<u>\$ 197,000</u>
Expenditures				
General	\$ 62,300	\$ 78,374	\$ 300	\$ 140,974
Public safety	-	-	-	-
Public works	-	-	-	-
Total Current Operations	<u>62,300</u>	<u>78,374</u>	<u>300</u>	<u>140,974</u>
Projects	-	627,675	303,064	930,739
Total Expenditures	<u>62,300</u>	<u>706,049</u>	<u>303,064</u>	<u>1,071,413</u>
Excess (Deficiency) of				
Revenues over	(62,300)	(706,049)	(106,364)	(874,713)
Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in (out)	<u>62,300</u>	<u>1,987,056</u>	<u>44,751</u>	<u>2,094,107</u>
Excess (deficiency) of				
Revenues over	-	-	-	-
Expenditures and other	-	1,281,007	(61,613)	1,219,394
Financing Sources	-	-	-	-
Fund Balance				
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
End of Year	<u>\$ -</u>	<u>\$ 1,281,007</u>	<u>\$ (61,613)</u>	<u>\$ 1,219,394</u>

STATISTICAL SECTION

GENERAL GOVERNMENTAL REVENUES BY SOURCE

City of Anniston		For the year ended September 30, 2003					
Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Other Operating Revenues	Totals
1990	\$ 12,260,401	\$ 2,254,398	\$ 1,490,681	\$ 770,561	\$ 663,223	\$ 1,994,006	\$ 19,433,270
1991	12,463,277	2,387,073	1,283,264	936,285	942,137	1,318,774	19,330,810
1992	14,345,789	2,439,495	2,845,239	1,120,086	1,027,931	655,788	22,434,328
1993	17,295,221	2,477,952	1,984,304	1,173,426	936,902	6,230,486	30,098,291
1994	17,591,457	2,616,366	1,428,484	1,284,035	1,051,835	7,330,132	31,302,309
1995	18,727,569	2,666,025	1,771,145	1,505,557	1,060,284	2,650,918	28,381,498
1996	18,761,145	2,676,145	1,991,987	1,560,256	1,143,106	1,476,852	27,609,491
1997	20,386,033	2,844,874	2,255,968	1,541,813	1,014,993	2,739,658	30,783,339
1998	19,171,957	2,860,808	175,825	1,489,299	1,020,782	770,193	25,488,864
1999	19,910,863	2,878,925	162,361	1,397,546	25,689 *	1,299,166	25,674,550
2000	19,138,779	2,918,267	178,257	1,370,752	3,964 *	1,622,967	25,232,986
2001	19,637,484	3,135,341	253,719	1,452,703	-	1,892,308	26,371,555
2002	21,099,057	3,359,187	205,103	1,315,850	-	1,079,619	27,058,816
2003	20,813,759	3,094,667	-	2,016,730	-	543,306	26,468,462

*This amount is not comparable to past years due to a change in classification for court revenues from the General Fund to two Special Revenue Funds.

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

City of Anniston									September 30, 2003
Fiscal Year	General Government	Public Safety	Public Works	Recreation	Other Boards & Functions	Debt Services	Capital Outlay	City Board of Education	Totals
1990	\$ 1,839,390	\$ 5,451,477	\$ 3,457,673	\$ 1,969,980	\$ 1,368,591	\$ 1,970,607	\$ 6,907,243	\$ 1,247,033	\$ 24,211,994
1991	1,981,125	5,186,443	3,483,836	2,096,009	1,283,566	1,972,857	2,757,238	1,060,024	19,821,098
1992	2,297,071	5,679,652	3,627,859	2,336,943	1,398,220	1,968,641	3,902,281	1,166,687	22,377,354
1993	2,879,173	6,096,465	3,974,778	2,622,519	1,512,172	1,613,371	1,775,062	1,233,851	21,707,391
1994	3,759,041	6,801,532	4,569,423	2,522,281	1,722,312	1,388,160	2,023,300	1,680,888	24,466,937
1995	2,731,571	7,329,401	4,541,047	2,741,367	1,724,949	1,916,167	6,329,616	1,730,828	29,044,946
1996	2,917,283	8,106,794	4,538,096	2,872,552	1,790,939	2,033,059	3,848,921	1,739,278	27,846,922
1997	2,893,958	8,367,569	4,421,333	2,984,582	2,298,812	2,433,107	2,995,048	1,442,512	27,836,921
1998	3,657,746	8,020,112	4,470,958	2,590,672	1,586,965	4,266,327	5,696,398	1,186,664	31,475,842
1999	2,611,689	7,613,435	4,558,060	2,527,650	2,345,624 *	2,046,967	6,875,437	150,365	28,729,227
2000	4,738,949	7,342,895	4,475,431	2,669,647	2,387,482 *	2,089,958	7,050,798	302,008	31,057,168
2001	4,173,703	7,914,733	4,850,721	3,416,426	2,804,683	1,434,445	4,107,831	606,227	29,308,769
2002	5,710,152	7,637,435	4,329,638	2,896,191	2,944,431	1,434,992	3,598,017	841,224	29,392,080
2003	4,638,203	8,838,167	4,948,718	3,836,855	3,126,112	1,097,740	1,739,299	1,004,574	29,229,668

PROPERTY TAXES LEVIED IN CALHOUN COUNTY, ALABAMA

City of Anniston			For the year ended September 30, 2003	
Year Beginning Oct-01	Assessed Valuation	Total Taxes Levied	Uncollected at Sale Date	
			Amount	Percentage
1993	\$ 142,700,854	\$ 2,555,200	\$ 39,455	1.54%
1994	146,690,151	2,610,732	20,578	0.79%
1995	148,860,149	2,816,014	24,217	0.86%
1996	153,152,222	2,645,567	13,114	0.50%
1997	152,990,838	2,968,963	46,650	1.57%
1998	158,123,167	3,060,710	27,756	0.91%
1999	182,891,787	3,056,883	29,482	1.04%
2000	180,626,480	3,222,424	41,461	1.29%
2001	240,320,072	3,869,613	32,182	1.20%
2002	200,953,661	3,866,486	31,335	1.21%
2003	281,583,930	3,963,333	73,471	1.85%

Source: Calhoun County Tax Collector and Calhoun County Tax Assessor

All ad valorem taxes levied by the State, County and any municipality in Calhoun County are assessed by the Tax Collector of Calhoun County.

PROPERTY TAX RATES **ALL OVERLAPPING GOVERNMENTS**

For the year ended
September 30, 2003

City of Anniston

The tax rates shown below were effective October 1, 1979, except the Fire District Tax, which became effective October 1, 1996. Composition of the tax rate per hundred dollars of asessed valuations is as follows:

State of Alabama	
General Fund (no limit as to time)	\$ 0.25
Soldier fund (no limit as to time)	0.10
School Fund (no limit as to time)	0.30
Total	<u>0.65</u>
Calhoun County Tax	
General Fund (no limit as to time)	0.65
Road and Bridges Fund (no limit as to time)	0.30
Total	<u>0.95</u>
County Schools	
General School Fund	0.15
General School Fund	0.40
Total (shared with City Schools based on average daily attendance)	<u>0.55</u>
Total Calhoun County	1.50
Fire District Tax	0.30
City of Anniston Municipal Tax	
General Municipal Purposes (no limit as to time)	1.27
Public School Uses (voted to September 30, 2003)	0.63
Public School Operation (voted to September 30, 2003)	0.30
Total	<u>2.20</u>
Special Schools Tax	
Public School Uses (School District Levy) (voted to September 30, 2007)	0.50
Total City of Anniston	<u>2.70</u>
Grand Total	<u><u>\$ 5.15</u></u>

Taxes due October 1 and delinquent January 1 (Discounts allowed: None)
Penalties for delinquency: \$2.50 plus 12% interest
Tax sale date: usually June

UNAUDITED

ASSESSED VALUE OF ALL TAXABLE PROPERTY

For the year ended
September 30, 2003

City of Anniston

Assessment Date Oct. 1	Class I* Public Utility 30% Assessment	Class II* Commercial 20% Assessment	Class III* Residential 10% Assessment	Subtotal Assessed Property	Automobile Assessed Value**	Total Assessed Value
1994	\$ 16,016,440	\$ 89,475,436	\$ 31,605,773	\$ 137,097,649	\$ 12,199,040	\$ 149,296,689
1995	14,879,660	88,866,675	31,281,774	135,028,109	13,832,040	148,860,149
1996	14,966,840	91,755,286	31,776,616	138,498,742	14,653,480	153,152,222
1997	14,456,400	104,943,634	33,590,804	152,990,838	12,121,994	165,112,832
1998	14,918,160	108,770,018	34,434,989	158,123,167	18,470,680	176,593,847
1999	19,114,670	124,279,445	39,497,672	182,891,787	19,359,500	202,251,287
2000	19,496,732	121,632,079	39,497,669	180,626,480	22,753,826	203,380,306
2001	24,316,476	169,234,207	46,769,389	240,320,072	27,985,220	268,305,292
2002	22,372,100	145,830,215	46,899,943	215,102,258	28,587,120	243,689,378
2003	25,084,360	209,604,290	46,895,280	281,583,930	29,509,020	311,092,950

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION
BONDED DEBT PER CAPITA**

City of Anniston			For the year ended September 30, 2003					
Fiscal Year Ended	Census	Number	Assessed Value	Gross Bonded Debt	General Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1992	1990	26,638	\$ 142,351,773	\$ 12,700,000	\$ 13,011	\$ 12,686,989	8.91%	477
1993	1990	26,638	142,700,854	11,448,000	147,988	11,300,012	7.90%	424
1994	1990	26,638	146,690,151	15,325,407	6,985,000	8,340,407	5.58%	313
1995	1990	26,638	148,860,149	13,414,310	151,691	13,262,619	8.66%	498
1996	1990	26,638	153,152,222	15,906,296	6,621	15,899,675	10.30%	597
1997	1990	26,638	152,990,838	14,072,616	6,083	14,066,533	8.52%	528
1998	1990	26,638	176,593,847	12,642,446	42,832	12,599,614	7.13%	472
1999	1990	26,638	202,251,287	11,335,960	10,979	11,324,981	5.59%	424
2000	2000	24,276	203,380,306	11,326,630	7,972	11,318,658	5.57%	466
2001	2000	24,509	240,320,072	10,275,818	99	10,275,719	4.28%	419
2002	2000	24,509	200,953,661	9,426,345	96	9,426,249	4.69%	385
2003	2000	24,509	281,583,930	7,925,418	96	7,925,322	2.80%	324

Property is assessed on the following basis:

Class I Public Utility	30%
Class II Commercial	20%
Class III Residential	10%

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

City of Anniston	For the year ended September 30, 2003		
	Gross Debt Less Debt Service Cash	Percentage of Debt Applicable to City of Anniston	City of Anniston Debt Burden
City of Anniston			
Gross Warrants	\$ 7,925,418		\$
Less: Debt service funds assets	96		
Direct Net Debt	<u>7,925,322</u>	<u>100%</u>	<u>7,925,322</u>
Overlapping Debt	None	None	None
Total Direct and Overlapping Debt			<u>\$ 7,925,322</u>

UNAUDITED

COMPUTATION OF LEGAL DEBT MARGIN

City of Anniston	For the year ended September 30, 2003
Assessed value of real and personal property	\$ 200,953,661
Debt limit, twenty percent of assessed value (constitutional limit)	40,190,732
Outstanding general obligation bonds:	
General obligation bonds Total	<u>(7,925,418)</u>
Legal Debt Margin	<u>\$ 32,265,314</u>
<i>Note: Section 255, as amended, Constitution of State of Alabama, limits debt of the City of Anniston to twenty percent of the assessed value of taxable property. Excluded from this limitation are bonds issued for schools.</i>	
Overlapping debt	
Total Direct and Overlapping Debt	<u>\$ 7,925,322</u>

SCHEDULE OF INSURANCE IN FORCE

For the year ended
September 30, 2003

City of Anniston	Company Name	Types of Coverage	Policy Number	From	To	Liability Limits	Annual Premiums
	Philadelphia Insurance	Fire and lighting extended coverage all building and contents	HULT 100126	04/01/03	04/01/04	\$ 34,740,073	\$ 42,374
	Alabama Municipal	Automobile Liability	AL0090611A13400	10/14/02	10/14/04	Automobile liability- \$2,000,000 limit Uninsured motorist-	
	Alabama Municipal	Commercial General Liability/ Public Officials, Errors & Omissions, Employee Benefits	AL0090611A13400	10/14/01	10/14/03	2,000,000	
	Alabama Municipal	Law Enforcement Officer's Comprehensive Liability	AL0090611A13400	10/14/01	10/14/03	2,000,000	
	Alabama Municipal	Public Employees' Blanket Bond- Faithful Performance	AL0090611A13400	10/14/01	10/14/03	25,000 each	314,132
	Municipal Workers Comp. Fund, Inc.	Workmen's Compensation	D169-02	02/01/03	01/31/04	1,500,000	371,731
	Alabama Municipal	Public Official Bond - City Clerk	ALB200920	10/03/02	10/02/03	10,000	50
	Alabama Municipal	Public Official Bond - City Manager	ALB200920	01/01/02	10/02/03	50,000	175
	Alabama Municipal	Public Official Bond - Finance Director	ALB200920	10/02/02	10/02/03	50,000	450
	Alabama Municipal	Public Official Bond - Mayor	ALB200920	10/03/02	10/02/03	10,000	50
	Employees Mutual	Fidelity Bond - Polygraph Examiner	S199043	10/01/02	10/01/03	5,000	50
	Employees Mutual	Fidelity Bond - Polygraph Examiner	T11835	12/04/02	12/04/03	5,000	50
	Alabama Municipal	Public Official Bond - Municipal Court Clerks (4)	ALB200920	10/01/02	10/02/03	10,000 each	200

BUSINESS STATISTICS

City of Anniston		September 30, 2003			
Year	Deposits (1)	Building Permits*(2) (Private Construction)	Non-agricultural (3) Placement (No.)	Job (3) Application (No.)	Unemployment (4) Claims (No.)
1994	\$ 391,817,000	15,618,222	1,878	6,565	19,439
1995	576,436,000	44,232,044	1,741	7,648	18,670
1996	566,016,000	21,273,321	1,645	8,504	14,808
1997	675,742,000	25,190,923	2,009	9,130	13,127
1998	663,826,000	27,646,160	1,611	8,123	13,039
1999	649,055,000	20,663,426	7,968	12,220	9,343
2000	654,975,000	32,502,965	2,028	13,480	12,672
2001	708,032,000	48,694,877	2,341	14,588	15,652
2002	750,869,000	28,820,702	1,413	16,124	9,913
2003					

Source: (1) Federal Reserve Bank of Atlanta

(2) Center for Business and Economic Research - The University of Alabama/City of Anniston Planning Department

*Does not include retail sales volume for 2002. Center suspended stats for 2002. They are changing their data retrieval

(3) Alabama State Employment Service

(4) Alabama State Unemployment Service

UNAUDITED

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED
DEBT TO TOTAL GENERAL EXPENDITURES**

City of Anniston For the year ended
September 30, 2003

Fiscal					Ratio of Debt Service to General Expenditures (Percentage)
Year	Principal	Interest	Debt Service	Expenditures	
1989	\$ 600,000	\$ 752,078	\$ 1,352,078	\$ 16,304,885	8%
1990	895,000	1,069,099	1,964,099	16,316,751	12%
1991	956,000	1,010,578	1,966,578	15,873,406	12%
1992	1,012,000	951,589	1,963,589	16,428,474	12%
1993	1,217,000	644,749	1,861,749	17,578,841	11%
1994	1,173,000	689,144	1,862,144	20,385,778	9%
1995	1,224,000	681,500	1,905,500	21,801,446	9%
1996	1,310,000	712,383	2,022,383	23,278,879	9%
1997	1,556,000	877,107	2,433,107	22,821,916	11%
1998*	3,212,170	768,590	3,980,760	22,852,403	18%
1999	1,412,199	634,768	2,046,967	21,811,906	9%
2000	1,509,330	580,628	2,089,958	24,308,813	9%
2001	838,809	595,636	1,434,445	25,023,785	6%
2002	885,222	549,770	1,434,992	25,269,367	6%
2003	524,826	555,039	1,079,865	27,127,354	4%

*Includes 1994-A Refunding Escrow Payment (Note 2).

UNAUDITED

2003 AD VALOREM TAX PRINCIPAL TAXPAYERS

City of Anniston	For the year ended September 30, 2003	
	<u>Assessed Value</u>	<u>Municipal Tax</u>
Alabama Power Company	\$ 8,471,920	\$ 160,966
Bell South Telecommunications	6,450,600	122,561
Union Foundry Company/McWane, Inc.	6,682,460	123,132
McWane, Inc./M & H Valve Company	3,028,140	57,534
Deltacom, Inc.	5,053,300	96,014
Werner Company	2,043,010	45,700
Alabama Gas Corporation	1,857,480	35,292
North American Bus Industries, Inc.	2,028,640	38,544
Cane Creek L.L.C.	1,680,250	33,742
Solutia, Inc.	<u>1,735,640</u>	<u>32,977</u>
Total	\$ <u>39,031,440</u>	\$ <u>746,462</u>

UNAUDITED

SCHEDULE OF GENERAL OBLIGATION WARRANTS OUTSTANDING

City of Anniston			For the year ended September 30, 2003
<u>General Obligation</u>	<u>Election</u>	<u>Issued</u>	<u>September 30, 2003</u>
2003 General Obligation Warrant	04/11/03	\$ 6,415,000	\$ 6,415,000
Refunding	08/01/98	1,800,000	1,395,000
Building warrants	09/01/96	180,000	115,418
Total			\$ <u>7,925,418</u>

UNAUDITED

MISCELLANEOUS STATISTICAL DATA

For the year ended
September 30, 2003

City of Anniston

Date of Incorporation:	February 4, 1979	Recreation:	
		Number of Parks	40
Form of Government:	Council/Manager	Acres of Parks	897
		Golf Courses (Public & Private)	3
Area:	46.70 Square Miles	Tennis Courts	20
		Community Centers	8
Miles of Paved Streets:	222	Softball Complexes	1
Miles of Sewers:		Public Safety:	
Sanitary	213	Number of Fire Stations	6
Storm	1,005	Number of Police Stations	1
(Additional area not mapped or measured at end of 2002)		Fire Insurance Classification	3
		Population:	
City Employees:		1900 Federal Census	9,695
Police Department	124	1910 Federal Census	12,794
Fire Department	98	1920 Federal Census	17,734
Public Works	83	1930 Federal Census	22,345
Miscellaneous	170	1940 Federal Census	25,523
Planning	5	1950 Federal Census	31,066
	<u>480</u>	1960 Federal Census	33,657
		1970 Federal Census	31,533
Public Schools:		1980 Federal Census	29,185
Elementary (k-5)	5	1990 Federal Census	26,638
Middle (6-8)	1	2000 Federal Census	24,276
High (9-12)	1	2000 Federal Census	24,509
Vocational/Tech	1		
Alternative	1		
	<u>9</u>	With the annexation of Blue Mountain in 2001 the population increased by 233 within the City limits.	
School Enrollment:	89	Meeting Facilities:	
		City Meeting Center	1
Number Annual H.S. Graduates:	89		
Libraries:			
Central	1		
Branches	1		
Bookmobiles	1		

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended
September 30, 2003

City of Anniston

Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
U.S. Department of Justice			
Cops Universal Hiring Program 95CF-WX-1561	16.579 \$ 98,814 \$	77,442 \$	77,442
Law Enforcement Block Grant 2001-LB-BX-3807	16.579 131,185	131,185	131,185
Passed Through State Department Economic and Community Affairs: Drug Control and System Improvement ALEPA 01-DB-02-020	16.579 330,000.00	330,000	330,000
Total Department of Justice	\$ 538,627	\$ 538,627	\$ 538,627
Other Federal Assistance			
Passed through Alabama Emergency Management Agency: FEMA HMGP 0861-0017	83.518 \$	3,772 \$	3,772
FEMA HMGP 0856-0009		3,400	3,400
FEMA HMGP 0861-0023		8,665	8,665
FEMA HMGP 1019-0008		123,453	123,453
FEMA HMGP 1317-0004		15,000	15,000
Fort McClellan Property Cooperative Agreement Award	12.401	136,194	136,194
Total Other Federal Assistance	\$ 290,484	\$ 290,484	\$ 290,484
Total Federal Financial Assistance	\$ 2,491,964	\$ 2,491,964	\$ 2,491,964

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)**

City of Anniston	Federal Grantor/ Pass-through Grantor/ Program Title and Number/ U.S. Department of HUD	Federal CFDA Number	Program or Award Amount	For the year ended September 30, 2003	
				Revenue Recognized	Expenditures
	Community Development Block Grant Entitlements (1) B-00-MC-01-0001	14.218	\$ 814,000	\$ 670,716	\$ 670,716
	Urban Development Action Grant Repayment Income B-83-AA01-0087	14.221		36,337	36,337
	Program Revenue B-83-AA01-0049	14.221			
	Passed Through State Department Economic and Community Affairs: Emergency Shelter Grant ESG-00-032 ESG-01-032	14.231	149,000 100,000	38,027 86,296	38,027 86,296
	Total Department of HUD		\$ 831,376	\$ 831,376	\$ 831,376
	U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program 3-01-0008-2002 3-01-0008-1801 3-01-0008-1700 STPTE-0097 (54) STPTE-0099 (5) STPOE-7405	20.106 20.106 20.106 20.106 20.106 20.106	501,998 508,857 589,500 200,000 120,000 11,264	\$ 16,264 503,824 167,299 30,000 102,826 11,264	\$ 16,264 503,824 167,299 30,000 102,826 11,264
	Total Department of Transportation		\$ 831,477	\$ 831,477	\$ 831,477

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

City of Anniston

September 30, 2003

1. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anniston and is presented on the modified accrual method of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

This is the same method used to prepare the general-purpose financial statements for the City of Anniston.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON THE
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Anniston, Alabama

We have audited the financial statements of the City of Anniston, Alabama as of and for the year ended September 30, 2003, and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Anniston, Alabama's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs a Findings X1-1 and X1-2. We also noticed certain immaterial instances of noncompliance that we have reported to management of the City of Anniston in a separate letter dated July 15, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Anniston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration over the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Anniston in a separate letter dated July 15, 2004.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON THE
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

This report is intended solely for the information and use of the audit committee, management, and other agencies named in the report, federal awarding agencies and pass-through entities and not intended to be and should not be used by anyone other than these specific parties.

Hodgame, Brinson & Cotton, f.l.c.

Anniston, Alabama
July 15, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Anniston, Alabama

Compliance

We have audited the compliance of the City of Anniston with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Anniston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Anniston's management. Our responsibility is to express an opinion on the City of Anniston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Anniston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Anniston's compliance with those requirements.

In our opinion, the City of Anniston complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those described in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings X3-1 through X3-29.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133
(CONTINUED)**

Internal Control over Compliance

The management of the City of Anniston is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Anniston's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and other Agencies named in the report, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yodanis, Bullock & Cotton, LLC

Anniston, Alabama

July 15, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Anniston.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the City of Anniston.
3. No instances of noncompliance material to the financial statements of the City of Anniston, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Reportable conditions in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for City of Anniston expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The threshold used for distinguishing between Type A and B programs was \$300,000.
8. City of Anniston did not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

There are no audit findings required to be reported by Circular A-133.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Project Numbers B-01-MC-01-0001

B-01-MC-02-0002

Questioned
Costs

X3-1 Street Paving-Streets not identified in Action Plans

Condition and Criteria: Total costs charged to the program for street paving projects were not reconcilable to the action plans, bid documents and cost estimates.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM
Project Numbers B-01-MC-01-0001
B-01-MC-02-0002

Questioned
Costs

Effect: The expenditures for this project were ineligible.

Cause: Sufficient documentation was not located in the file.

Population and Items Tested:

	<u>Number</u>	<u>Dollars</u>	
Population Size			
Items Tested			
Items Not in Compliance	29	\$626,856	\$178,760

Auditors' Recommendation: City should provide sufficient documentation or repay the funds in the amount in question.

Grantee Response: City has created a file with proper documentation for review; proper contract compliance will be included in specifications for public works projects in the future.

X3-2 Emergency Repairs/Rehabilitation Activity-1828 Front Street

Condition and Criteria: Activity at 1828 Front Street was classified as an emergency repair in program year 2002. All costs were charged to CDBG Sanitary Sewer Account.

Effect: The project expenditure was ineligible.

Cause: No documentation this project met a National Objective or resulted from an emergency nature. Activity was not carried out in compliance with HUD's contracting requirements. Files do not contain appropriate documents. Project was for installation of a water main, not sewer.

Population and Items Tested: See Finding 3-1.

\$ 3,250

Auditors' Recommendation: City should provide sufficient documentation to address the finding or repay the funds in the amount in question.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Grantee Response: Project qualified for the national objective as set forth in Section 570.208 (a) (3) of the regulations; contracting requirements were not required because all work was for account-work performed by the Anniston Water Works and Sewer Board. They are the only entity authorized for this activity. Proper documentation is now located in the file, which was mislabeled and has been corrected.

X3-3 Emergency Repair- 1630 Hanna Avenue

Condition and Criteria: Activity was for repair/replacement of a water line located at above address. Information in the file states that the activity met the Water Board's criteria for participation and the Board would assist with in-kind service if the project were funded.

Effect: Project expenditures were ineligible.

Cause: Files contained insufficient documentation to justify this project met a National Objective or qualified as an emergency situation. Files did not contain contracting requirements, solicitation of bids, justification for in-house services, environmental reviews and inspection reports.

Population and Items Tested: See Finding X3-1

\$ 1,160

Auditors' Recommendation: City should provide sufficient documentation to address the findings as listed above or repay the funds in question.

Grantee Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations; file was mislabeled and has been corrected; contracting requirements were not required because all work was for account-work performed by the Anniston Water Works and Sewer Board. They are the only entity authorized to perform the work required for this activity. Normal business procedures do not require on-going inspections; the file has been updated to include all invoices; CDBG staff will complete an environmental checklist for each and every unit of rehab in the future.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-4 Emergency Repairs- 417 Glen Addie

Condition and Criteria: Activity consisted of shoring-up sills, replacing damaged joists, replacing framing members in the bathroom, installing sheet vinyl, replacing roofing, removing chimney, replacing decking and replacing damaged sheetrock.

Effect: Ineligible expenditure.

Cause: Insufficient documentation to justify the project met a national objective and was of an emergency nature. Files did not reflect work write ups to justify emergency repairs. Insufficient documentation in the file to show this activity was carried out in compliance with HUD's contracting requirement, no appropriate contract documents, solicitation of bids, environmental reviews or progress/inspection reports.

Population and Items Tested: See Finding X3-1.

\$ 3,550

Auditors' Recommendation: City should provide sufficient documentation to address the findings as listed above or repay the funds in question.

Grantee Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations; file was mislabeled as emergency, now corrected; repair was an eligible rehab activity; City is not a party to the contract, instead contract is between homeowner and contractor; HUD contracting requirements do not apply under residential rehabilitation; contract document is in file; final inspection form was signed by contractor, homeowner and staff; City Inspections Division issued work permits and conducted on site progress inspections. Regarding environmental review, see explanation provided under Finding X3-2.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-5 Sanitary Sewer Line- 1313, 1317, 1325, and 1324 Pine Avenue

Conditions and Criteria: Activity involved extension of sanitary sewer trunk line for purpose of connecting four houses to City sewer system; also, proposals to connect improper washer lines and cap broken sewer lines. Two proposals, one which appears to be duplicated.

Effect: Ineligible expenditure \$7,006

Cause: Insufficient documentation in program files; no documentation that this activity was carried out in compliance with HUD's contracting requirements. The files did not contain documentation of contract documents, solicitation of bids, or justification for in-house services. No documentation for environmental reviews or final inspection reports.

Population and Items Tested: See Finding X3-1.

\$ 7,006

Auditors' recommendation: City should provide sufficient documentation to address the findings or repay funds of the amount in question.

Grantee response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was incorrectly categorized and has been corrected; Bids were taken, only two were submitted, one of which was late and did not qualify. The accepted bid stated that additional work may be required. Additional work of \$1,000 was approved and this made the contract price a total of \$7005.89. Plumbing permit information was verified at each of the locations; HUD contracting requirement do not apply under residential rehabilitation. Contract documentation is located in the file for review; regarding the environmental review records, see finding 3X-1.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-6 Sanitary Sewer Line

Conditions and Criteria: Activity involved repair of a City sewer line that had been broken for years. Officer identified broken sewer line as a pre-existing maintenance condition that allowed raw sewage to spill into the ditch.

Effect: Ineligible expenditure.

Cause: Insufficient documentation in the files to document this project met a national objective. Files did not reflect that this project was carried out in compliance with HUD's contracting requirements. Files did not contain appropriate contract documents, solicitation of bids or justification for in-house services. No documentation reflecting an environmental review and no final inspection reports.

Population and Items Tested: See Finding X3-1.

\$ 4,200

Auditors' recommendation: City should provide sufficient documentation to address findings or repay the amount in question.

Grantee response: File was mislabeled and has been corrected to reflect a Housing Rehabilitation activity, since this was a service line to a private residence. Activity met national objective under Section 570.208 (b) (2), activities to address the elimination of slums and blight on a spot basis. Due to immediate need, bids were solicited by phone and only one bid was received. Anniston Water Works and Sewer Boards state that they are not responsible for maintenance and upkeep of a private sewer line. Plumbing inspector approved completion of the work prior to payment. Regarding environmental review, see Finding X3-2.

X3-7 Sanitary Sewer Line- 417 Glen Addie Avenue

Conditions and criteria: Activity was incorrectly listed as a sewer line project; however it is actually the replacing of two new commodes and seats, faucets, etc. Documentation was improper.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Effect: Expenditure was ineligible under this classification.

Cause: File contained insufficient documentation to justify this project met a national objective. File does not reflect compliance with HUD contracting requirements; file did not contain appropriate contract documents, solicitation of proposals, environmental reviews, progress inspections and completion reports.

Population and Items Tested: See Finding X3-1.

\$ 599

Auditors' Recommendation: City should provide sufficient documentation to address findings or repay funds in the amount in question.

Grantee Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Proper documentation is located in the file, and final inspection was signed by contractor, homeowner and staff. Inspections conducted on site progress inspections and payment was made only after final inspection. Regarding environmental review, see Finding X3-2.

X3-8 Sanitary Sewer Line-1206 West 14th Street

Conditions and criteria: Activity file reflects charges for the connection of a house sewer service line to sewer main in the street; however, file only contains P.O. Box, bill and memo to finance department; no documentation in file showing beneficiary information.

Effect: Ineligible Expenditure

Cause: File contained insufficient documentation to justify this project met a national objective. File did not document that this activity met any program requirements; no work write ups to justify repairs; no documentation to verify compliance with HUD's contracting requirements; files do not contain appropriate contract documents; solicitation of proposals, environmental reviews, inspections and completion reports.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Population and Items Tested: See Finding X3-1

\$ 2,575

Auditors' Recommendation: City should provide sufficient documentation to address the findings listed or repay the amount in question.

Grantee Response: Activity met a national objective as set for in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Work write up is now located in file; City is not party to the contract and HUD requirements do not apply under residential rehabilitation; contract documentation in located in file, and on-going and final inspections were performed by City Inspections Division; regarding environmental review records, see explanation at Finding X3-2.

X3-9 Sanitary Sewer Line- 1221 Ferron Avenue

Conditions and criteria: Activity and charges were for reinstallation of a sewer line at a residence; Incompliant with HUD's program requirements.

Effect: Ineligible expenditure

Cause: Files contained insufficient documentation to justify that project met a national objective. No work write ups in files; not documentation of compliance with HUD's contracting requirements; no contract documents, solicitation of proposals, environmental reviews, progress and completion reports.

Population and Items Tested: See Finding X3-1.

\$ 2,000

Auditors' recommendation: City should provide sufficient documentation to correct the findings or repay the funds in the amount in question.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Grantee response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been corrected to reflect a rehab activity. Work write ups are in the file; City is not a party to the contract; therefore, HUD contracting requirements do not apply. Contract documents are in the file, staff was onsite each day, and final inspection form was signed by all involved. Inspections conducted on site progress inspections and payment was made after final approval. Regarding environmental review, see Finding X3-2.

X3-10 Sanitary Sewer Line- 515 West 11th Street

Condition and criteria: Activity did not have proper documentation to justify the project; File consisted of improper documentation.

Effect: Ineligible expenditure

Cause: Insufficient documentation; no work write ups to justify repairs; no documentation to justify compliance with HUD contracting requirements, and other appropriate documentation.

Population and Items Tested: See Finding X3-1.

Auditors' recommendation: City should provide documentation to address findings or repay funds in the amount in question.

Grantee response: Activity met a national objective set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and was corrected to reflect a rehab activity; documentation, work write ups, and contract documentation are now located in the file. City is not a party to the contract; therefore, HUD contracting requirements do not apply. On site inspections and final inspections were conducted by the City Inspections division. Regarding environmental review, see Finding X3-2.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-11 Calhoun County Housing Corporation (CCHC)

Conditions and criteria: Sub recipient's file contained no evidence the CCHC has carried out this activity; review of records in office disclosed all activities under this project were carried out by City's CDBG staff. Reviewer was unable to determine scope of activities, number of participants, or cost of work; no total construction cost per job was noted in file; amounts were listed with no work specified; no program year was specified; no evidence of monitoring.

Effect: Ineligible expenditure

Cause: Poor file documentation; no justification for this project; no work write ups to justify repairs; no documentation that this project was in compliance with HUD contract requirements; files contained inappropriate documentation; no solicitation of proposals, environmental reviews, progress and final inspections.

Population and Items Tested: See Finding X3-2.

\$ 40,00

Auditors' recommendation: City should provide sufficient documentation to address the findings or repay funds in the amount in question.

Grantee response: Information is in files and documentation to verify that all recipients were eligible. Files are ready for review; Work write ups, list of clients to be served, bids, and contract documents are all in file. City is not party to contract; therefore, HUD requirements for contracting are not applicable. On site and final inspections were conducted and can be reviewed in the Inspections Office. File is maintained for each job, with a record of expenditures for each job. Regarding environmental review, see Finding X3-2.

X3-12 Zion Hill Revitalization (ZHR) - 327 Chestnut Avenue

Conditions and criteria: Description in program year action plan does not match the documentation in the file. File states that this was emergency repairs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Effect: Ineligible Expenditure

Cause: Files contain insufficient documentation to justify the project met a national objective. Labeled as a revitalization area; however, actually single family housing rehabilitation. No documentation that reflects compliance with HUD's contracting requirements; file contains no appropriate contracts, solicitation of proposals, environmental reviews and completion reports.

Population and Items Tested: See Finding 3X-1.

\$ 7,256

Auditors' recommendation: City should provide sufficient documentation to address the findings as listed above or repay funds in the amount in question.

Grantee response: Project is erroneously listed as emergency repair and should have been ZHR under rehab activity; 3 categories for the ZHR, which should have been categorized as housing rehab. Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. Work write up, contract documentation, and final inspections are now in file. City is not party to contract; therefore, HUD contracting requirements do not apply; regarding environmental records, see Finding X3-2.

X3-13 Sanitary Sewer Line - 1400 Duncan Avenue

Conditions and criteria: Activity described in project file state work was contracted to repair sewer line and charged as such. Billing was for repair of pipes under a sink, digging up a sewer line and auguring out the sewer line at above address.

Effect: Ineligible expenditure

Cause: Improper documentation; no write up in file; bill was regarding another address, not the address where the work was performed.

Population and Items Tested: See Finding X3-1.

\$ 500

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Auditors' recommendation: City should provide sufficient documentation to address the findings as listed above or repay the funds in the amount in question.

Grantee response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been changed to rehab activity. Documentation of eligibility is located in the file, as well as the work write ups, the contract document and the inspections. City is not a party to the contract; therefore, HUD contracting requirements do not apply. Regarding environmental review, see Finding X3-2.

X3-14 Emergency repairs 1400 Duncan Avenue

Conditions and criteria: Activity was classified as an emergency repair, and was not documented in accordance with HUD's regulatory requirements.

Effect: Ineligible expenditure

Cause: No documentation to justify project requirements or an emergency; no work write ups to justify repairs; no appropriate documentation

Population and Items Tested: See Finding X3-1

\$ 2,350

Auditors' recommendation: City should provide sufficient documentation to address findings or repay the amount in question.

Grantee response: Activity met a national objective set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been changed to rehab activity. Documentation for eligibility, work write ups, contract document, final inspection form, on site progress inspections and final inspection are all located in the file. Regarding environmental review records, see Finding X3-2. City is not a party to contract; therefore, contracting regulations are not applicable.

X3-15 Sanitary Sewer Line Project - 1622 Charlotte Avenue

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Condition and Criteria: Activity was performed as an emergency repair and was charged to sanitary sewer activity budget

Effect: Ineligible Expenditure

Cause: Insufficient documentation to justify that the project met a national objective or was an emergency; no write ups in file; no documentation of compliance with HUD's contracting requirements; No appropriate contract documents, solicitation of proposals, environmental reviews, progress or completion reports.

Population and Items Tested: See Finding X3-1

\$1,000

Auditors' Recommendation: City should provide sufficient documentation to address the findings as listed or repay the amount in question.

Grantee Response: Activity met a national objective as set forth in Section 570.208 (a) (3) of the regulations. File was mislabeled and has been changed to reflect a rehab activity. Documentation verifying eligibility, write ups, contract documents, final inspection and on site progress inspections are located in the file. City is not a party to the contract; therefore, HUD contracting requirements do not apply; regarding environmental review, see Finding X3-2.

X3-16 Public Service Activities

Condition and criteria: Program activity involved the review of sub recipient contracts. After a review of the file, contracts were not in full compliance with program requirements.

Effect: Ineligible expenditures for various contracts.

Cause: No valid sub recipient contractor agreements; agreements do not comply with requirements outlined in the regulations for sub recipient agreements; no documentation of a national objective; no documentation of monitoring by the grantee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Population and Items Tested: See Finding X3-1

\$174,500

Auditors' Recommendation: City should provide sufficient documentation to address the deficiencies or the funds must be reimbursed to CDBG.

Grantee Response: Documentation that all projects met a national objective is located in the file; all sub recipient contracts are in compliance with the program requirements outlined in 24 CFR 570.503. All requirements are included as an addendum in each file of the sub-recipient files. Documentation of monitoring is also located in each file. Documentation that contracts are in accordance with HUD requirements have been restructured in designated section for easier review. Updated file information is now located with each public service listed.

X3-17 Affordable Housing Sub recipient

Condition and criteria: Sub-recipient was funded in Program Years 2001 and 2002 for \$180,000 to reconstruct approximately 20 housing units affordable to low income persons. (Habitat for Humanity)

Effect: Ineligible Expenditure

Cause: Habitat for Humanity was awarded CDBG funds through an agreement that was not in compliance with HUD's requirements. No records to document cost or location of these homes; No documentation to justify price increase; No records to show monitoring, inspections, or eligibility.

Population and Items Tested: See Finding X3-1

\$197,204

Auditors' Recommendation: City should provide required documentation or repay the amount in question.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Grantee Response: Program compliance form is in the file showing that the sub-recipient was monitored during this time. City files do contain a valid sub-recipient agreement; information is in the files to document all expenditures reimbursed to Habitat; no new homes have been built by Habitat during the above mentioned years; all funds were used to purchase lots and to rehabilitate existing homes; files contain names and addresses of all families receiving assistance; acquisition of all lots were "willing buyer-willing-seller" with no public takings; therefore, provisions of the Uniform Act do not apply.

X3-18 Emergency Repair/Rehabilitation Program

Condition and Criteria: CDBG Low-Mod housing program consists of Emergency Home Repair Program, Zion Hill Rehabilitation Program, and Low and Moderate Income Housing Rehabilitation performed by Habitat for Humanity. Purpose is to abate existing hazardous living conditions and remove conditions that are a hazardous threat; seven files were reviewed; various deficiencies with each.

Effect: Funds associated with this finding are ineligible.

Cause: Certification of income was missing from the file for 202 Front Street; owner certified no income; unlikely that a person could own and occupy a home with no income.

Population and items tested: See Finding X3-1.

Auditors' recommendation: City needs to provide documentation that they followed this case to determine the eligibility of this applicant or how a person could live without income. If City cannot provide documentation, funds associated with this project should be reimbursed.

Grantee Response: Documentation has been placed in the file to verify the source of applicant's assistance, which is from family members; activity met a national objective; homeowner is verified to be LMI.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-19 Lead Based Paint Regulations

Condition and Criteria: See Finding X3-18

Effect: Funds associated with this finding will be ineligible.

Cause: Lead based paint regulations were not adequately addressed on all housing rehabilitation performed on the houses reviewed.

Population and Items tested: See Finding X3-1.

Auditors' recommendation: Provide testing of painted surfaced distributed during rehabilitation or presume the presence of lead based paint. Use safe work practices on all surfaces affected. If testing, hazardous levels of lead are detected, eliminate hazard in accordance with lead based paint regulations or reimburse all funds with this finding to CDBG.

Grantee Response: As of this date the work repairs conducted by the City are such that no painted surfaces are disturbed. All rehab work approved by the City is an exempt activity under the lead paint requirements. Contractors use safe work practices.

X3-20 Lead Based Paint Hazards

Condition and criteria: See Finding X3-18

Effect: Funds associated with this finding will be ineligible.

Cause: No evidence in any of the files that homeowners were advised of possible lead based paint hazards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Population and Items Tested: See Finding X3-1

Auditors' recommendation: Provide appropriate lead based paint hazard notice or pamphlet to the affected property owners and annotate this in the files. Design the emergency repair program to make these provisions at the application process.

Grantee Response: Lead based paint regulations are routinely discussed during the initial interview with all clients advising them of lead-based hazards. CDBG office has established a lead based paint file containing information relating to 24 CFR Part 35. The City will review each unit and the requested rehabilitation work to assure compliance. Signed notices are contained in the files. In the future, "Protect You Family from Lead in your Home" booklet will be provided and signed for at the time of application.

X3-21 Environmental Reviews

Condition and Criteria: See Finding X3-18.

Effect: Funds associated with this finding will be ineligible.

Cause: Lack of documentation in files to indicate that environmental reviews were conducted on the homes that were repaired.

Population and Items Tested: See Finding X3-1.

Auditors' recommendation:

Grantee Response: This finding is correct, while there was an environmental review record established for the Housing Rehab/Emergency Assistance activity, individual environmental checklists have not been completed on each single-family residence participating in the Housing Rehabilitation/Emergency Repair Program, as its city policy. This oversight will be corrected in the future, and all houses will be reviewed for environmental purposes.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

X3-22 Citizens Participation Plan

Condition and Criteria: Review indicates that the files for this project are not up to date and incomplete. Plan was not carried out properly.

Effect:

Cause: City is not in compliance with the section regarding public access to records and information; City is not following the requirements for this plan; Plan reflects that the City is operating on a three-year plan, when in fact it is five years.

Population and Items Tested: See Finding X3-1.

Auditors' Recommendation: Revise the City's Citizen Participation Plan to comply with regulations and indicate how the Plan will be in conformance with the 1999 through 2003 Consolidated Action Plan.

Grantee Response: In accordance with HUD's recommended corrective action, a Citizen Participation Plan meeting the requirements was prepared and the City of Anniston adopted the updated Citizens Participation Plan on Friday, June 22, 2004.

X3-23 Environmental Monitoring Review

Condition and criteria: Certain files have been reviewed, while other files were not available.

Effect:

Cause: A single file has not been established for each project as required by the regulations at 24 CFR Part 58.28 for projects under CDBG program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Population and Items Tested: See Finding X3-1.

Auditors' recommendation: Create a single file for each project for environmental review. Maintain for inspection for five years. Keep all documentation required in file. Project file should also be able to be monitored during this time period.

Grantee response: Environmental training was conducted on July 22, 2004, provided by HUD Environmental Protection Specialist. City will prepare and submit all environmental documentation to the specialist for her review and approval. She will determine competency and when satisfied, she will notify the City and authorize the City to be responsible for all environmental requirements without further review on her part.

X3-24 Individual Activities

Condition and criteria: Individual activities have not been aggregated into projects that adequately analyze the separate and combined impacts of the activities, alternatives to the project, mitigation of the cumulative impacts and prescription of mitigation measures.

Effect:

Cause: Lack of documentation

Population and Items Tested: See Finding X3-1.

Auditors' Recommendation: City should combine related activities into projects. An environmental review should be conducted for those projects that consider the full environmental impact of the project. When sites are not yet identified for the entire project, a Tiered review should be conducted. Teiring allows the City to consider issues at subsequent levels and avoid repetitive discussions of the issues.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Grantee response: City will combine related activities into projects. An environmental review shall be conducted for those projects that consider the full environmental impact of the project. The City shall establish a teiring review. City will follow the recommendation of the environmental specialist.

X3-25 Written determination

Condition and criteria: Written determination must be made to determine that projects are exempt or categorically excluded and not subject to the laws and authorities prior to expending HUD funds for applicable activities. Projects that are exempt do not require an environmental review, but this must be in writing.

Effect:

Cause: No written determination in the file.

Population and Items Tested: See Finding X3-1.

Auditors' Recommendation: City must develop and implement a system to determine what activities are exempt or CENST, and system must prevent expenditures of funds prior to the written documentation. Documentation must be written and located in files.

Grantee response: See Finding X3-23.

X3-26 Compliance

Condition and criteria: Funds must not be committed prior to a removal of grant condition, for projects that require full assessment or were categorically excluded and would have triggered compliance with laws and authorities at 58.5 if an environmental review had been conducted.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Effect:

Cause: Rules and Regulations from HUD were not followed properly.

Population and Items Tested: See Finding X3-1.

Auditors' Recommendation: Activities that require a full assessment or are categorically excluded, but trigger compliance with one of the Laws and Authorities, require a removal of grant condition. A system should be developed which prevents funds from being committed to a project prior to the City's receipt of the removal of a grant condition.

Grantee response: See Finding X3-23

X3-27 Acquisition/Relocation Files

Condition and criteria: Lots 8 and 9, in the Dent McCraw Subdivision were acquired in 2002 for \$100 each from the State of Alabama under the tax title law.

Effect: Ineligible Expenditure

Cause: Parcels do not have a general warranty deed; therefore, cannot be used in the program for affordable housing since you cannot obtain a real estate mortgage encumbered by a redeemable tax title.

Population and Items Tested: See Finding X3-1

\$ 200

Auditors' recommendation: City has the option of clearing the titles with general funds and reusing the property in the CDBG affordable Housing Program or reimbursing the program for the amount in question.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Grantee response: Habitat for Humanity of Calhoun County acquired these properties for land banking. Projected end use of these properties will be for the construction of low/moderate single-family homes. Tax deed from the state will be issued. Intent is to apply to quiet title; thereby, perfecting the title in order that a single-family unit can be built on these properties and transferable title can be used.

X3-28 Program Funds

Condition and criteria: Program funds were used to acquire two parcels with \$74,800 in program funds. Total acquisition was \$74,300, based on tax assessment value.

Effect: Ineligible funds

Cause: Acquisitions and in violation of the URA Act; programs financial summary indicates \$74,300 was paid for the parcels, while the purchase price shows \$74,800; \$500 difference is not identified.

Population and Items Tested: See Finding X3-1.

\$ 74,300

Auditors' recommendation: The City can go through the property acquisition process by following the URA Act procedures or reimburse the amount in question.

Grantee response: City acquired these parcels and both properties were vacant. The owner was notified that the City was interested in acquiring the property by voluntary transaction and was advised that the rules under the URA Act were not applicable. No relocation benefits were triggered by this acquisition. Appraisal is not required because it was a voluntary transaction, not a public taking. \$74,800 was offered and accepted; \$500 was used for earnest money, \$21,600 was paid on October 2, 2002 and \$52,700 was paid on October 10, 2002; totaling \$74,800.

X3-29 City Council Involvement

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF ANNISTON SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2003 (CONTINUED)

Condition and criteria: Various Council members were personally involved in directing staff to carry out activities that were not in keeping with the activities approved in the Action Plan.

Effect: Ineligible activity

Cause: Council members directing staff in carrying out activities, when they do not have the authority to do so.

Population and Items Tested: See Finding X3-1

Auditors' recommendation: Mayor and Council can resolve this finding by taking specific actions to show that they will no longer participate in the day-to-day operations of the CDBG program and programmed activities.

Grantee response: City Attorney has issued a memorandum reiterating to the elected officials that this is a misdemeanor under Alabama law for such elected officials to direct or order any City employee or department head to do anything. This memorandum is also being copied to City staff to inform them of this violation of law.